

# DAILY REPORT

*China*

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PRC INTERNATIONAL AFFAIRS  
GENERAL

A 1

U.S.-EUROPEAN-JAPANESE QUARREL ON SOVIET GAS CITED

iOK091323 Beijing RENMIN RIBAO in Chinese 9 Jul 82 p 7

[Report: "Quarrel Between the United States, Europe and Japan About Natural Gas Becomes More Violent"]

[Text] The contradictions between Western Europe, Japan and the United States concerning the problem of natural gas have become more acute. This has adversely affected the relations between the United States and its allies.

After the criticism made by West German Chancellor Helmut Schmidt and French President Francois Mitterrand on the U.S. measures for expanding the embargo, British Prime Minister Margaret Thatcher also expressed her views on 7 July when she was visiting Italy: It is wrong for the United States to expand the scope of the embargo from technology for the Siberian-West European natural gas pipelines to contracts signed by (Western Europe) and the Soviet Union. The Italian president, Alessandro Pertini, also told reporters that the present U.S. attitude toward Western Europe was "wrong." He added that the two superpowers frequently tried to "split Europe, that their conflicts have often occurred on the European stage" and that Western Europe should "truly unite" so that it could play a "mediatory role" between the United States and the Soviet Union. Norwegian Minister of Foreign Affairs Svenn Stray and Minister of Oil and Energy Vidkunn Hveding refuted Reagan's views that the Norwegian natural gas reserve of the North Sea and natural gas of the Netherlands were sufficient to supersede the natural gas exported by Moscow to Western Europe. They said that Norway would not be able to boost its natural gas output by a large margin before 1990.

Japan has continued to show a strong reaction toward the U.S. sanctions against the Soviet Union, which included the Japanese-Soviet joint exploitation of Sakhalin (Kuril Islands). Fujihara, Japanese vice minister of foreign trade and industry, said in a press conference held on 1 July: The United States has applied its law "to foreign countries. This is ridiculous judging things from the point of view of international law." He accused the U.S. measures of being "rude and violating the sovereignty of other countries." Japan is prepared to take "unified action" together with Western European countries in the future to urge the United States to reconsider its "policy toward the Soviet Union" connected with the interests of allied nations.

However, the United States has persisted in implementing its policy toward the Soviet Union of expanding the embargo. President Ronald Reagan stressed that prohibition of the export of facilities licensed by the United States for building natural gas pipelines from the Soviet Union to Europe was a "matter of principle." It has been reported that the reason Washington has persisted in doing so is because it is worried about the possibility that with the supplies of natural gas from the Soviet Union, countries such as Italy, West Germany, France and others will "rely excessively on Soviet natural resources" and that the Soviet Union will obtain a large amount of hard currency to "promote the expansion of its military machine."

Public opinion in the West reveals that proceeding from their strategic interests, the United States and its allies are seeking ways to solve their contradictions. The Washington POST of the United States said that diplomats on both sides of the Atlantic who were engaged in escalating disputes were compelled to seek a kind of "unintelligible compromise and do their best to save face to prevent the split of the Western allies."

U.S.-EUROPE CONFLICT OVER STEEL REVIEWED

HK100614 Beijing RENMIN RIBAO in Chinese 9 Jul 82 p 7

[Roundup by Yang Yuanhua [2799 0337 5478]: "The Conflict Between Europe and the United States Over Steel Products Becomes More Acute"]

[Text] The United States has announced an "antidumping tax" on steel products imported from EEC member states to limit the import of steel products from Western Europe. This is a heavy blow to the iron and steel industry in Western Europe. Some Western European countries have threatened to adopt countermeasures to resist the importing of U.S. goods. The conflict between Europe and the United States over steel products is becoming more and more acute with each passing day, and settling this conflict is a sticky problem.

The conflict between Europe and the United States over steel products is becoming more and more acute.

On 11 June the United States announced that an "antidumping tax" would be levied on steel products imported from West Germany, England, France, Belgium, Italy, the Netherlands and Luxembourg, all of which are member states of the EEC, and that the highest tax rate might reach 40 percent. This has aroused great indignation in Western Europe. The media in some Western European countries said that this "arbitrary decision" of the United States is an "economic invasion" and that "this unjust penalty cannot be accepted." The EEC foreign ministers council issued a strongly worded statement on 22 June accusing the United States of suddenly "upgrading" its trade conflict with Europe and threatening to file charges in the international court and adopt countermeasures.

In the past, U.S. steel products were always in a favorable position on the world market. Before 1965, the proportion of imported steel products in the United States never exceeded 10 percent of its domestic consumption. But since the 1970's, more and more foreign steel products have continued to enter this market. At present, they account for about 20 percent of the total domestic sales in the United States. During this period, steel products sold to the United States by the EEC countries increased each year. In 1980, 3.8 million tons were sold to the United States, and in 1981 figure rose to 6 million tons, an increase of about 60 percent. This greatly affected the development of the iron and steel industry of the United States, which had plunged into great difficulties. In January of this year, seven big iron and steel companies in the United States lodged a joint appeal in court, accusing some iron and steel companies in Western Europe of dumping government-subsidized steel products on the U.S. market and causing U.S. iron and steel companies to suffer great losses. According to calculations by one American, "over the last 5 years, the subsidies of the European governments have made the U.S. domestic steel transaction volume decrease by \$18 billion." However, the European countries have rejected the accusations of the U.S. companies, saying that the present difficult position of the U.S. iron and steel industry is a result of "low productivity" and a lack of "competitiveness," and has nothing to do with the exports of the EEC.

So, in this atmosphere, Europe and the United States held talks to discuss the problems in the trade of steel products. The United States suggested that the EEC countries control and limit their export quotas for steel products to no more than 4.3 percent of the U.S. domestic sales and that their export of steel products be reduced from 6 million tons to about 4.5 million tons, that is, to be reduced by a quarter. This suggestion was rejected by the EEC committee and the talks broke down on 10 June. On the following day, the United States announced that an antidumping tax would be levied on the steel products of the EEC countries, the sum of which would be as much as the subsidies that the latter received from their governments.

The conflict between Europe and the United States over steel products was started when the iron and steel industries on both sides were faced with a most serious crisis after World War II. The shrinking of the market, under-capacity operation, the drop in production, the serious losses of enterprises and the unemployment of a large number of workers have almost become a common failing of the Western iron and steel industry. The struggle for survival and the scramble for overseas markets have thus become acute. Because of obsolete equipment, low productivity and high costs, the U.S. iron and steel industry is now in an unfavorable position. According to an investigation, the unit cost of labor of the U.S. iron and steel industry is about 10-16 percent higher than that of West Germany and France, and its products cannot even satisfy the needs of the domestic market. In order to satisfy the needs of their customers, the steel companies in the United States ordered 1 million tons of steel tubes from abroad last year. Thus, the United States ranked first in the quantity of imported steel products.

In order to protect its national iron and steel industry, the United States has adopted some measures to limit the import of steel products from Western Europe. This undoubtedly is a heavy blow to the European iron and steel industry. Western Europe made a strong response. Some of the allies even threatened to adopt countermeasures to resist importing U.S. goods. However, the two sides still do not wish to have a falling out with each other at present. They are seeking a way to eliminate the differences. Some EEC officials said that if countermeasures are taken, they will bring great losses to both sides. But this conflict remains a sticky situation.

#### MATERIALS ON GENEVA UN ECOSOC SUMMER SESSION

##### Report on Opening

0W090145 Beijing XINHUA in English 0104 GMT 9 Jul 82

[Text] Geneva, July 8 (XINHUA) -- The summer session of the U.N. Economic and Social Council (ECOSOC) opened here yesterday amid worsening economic and political situation in the world.

Speaking at the opening meeting, both the President of the Council Miljan Komatina (Yugoslavia) and the U.N. Secretary General Javier Perez de Cuellar expressed grave concern over such an international situation and its effects on developing countries in particular.

Komatina said that the international community was witnessing with serious concern a deterioration in international relations. "Instead of cooperation," he said, "a recourse to force is much more frequent." "Such a practice gives rise to uncertainty with regard to the future and exacerbates the already acute economic problems," he noted. "The arms races, bloc division, rivalry for spheres of influence, relations based on force and its balance are contrary to the ever more present striving of peoples for peaceful and equitable relations based on the respect of sovereignty and identity of all peoples, and their aspiration to harmonize their internal and foreign relations with their national and social interest."

Referring to the world economic situation, Komatina said that the economic crisis besetting many countries was deepening further. He was concerned over the impasse in the dialogue between developed and developing countries. Economic activity and the rate of economic growth in many countries were at the lowest level since the Second World War and world trade was also stagnating.

Perez de Cuellar said that he was deeply concerned over present trends in the world economy. "Concerted international action aiming at a broad economic recovery" was "urgently needed", he noted. The social and political tensions in the world, he said, have already led and will continue to lead to greater political instability and international conflict. He also stressed the need to "make profound adjustments" in the world economy. "If the present policies continue," he added, "it is impossible to foresee when the stagnation that has afflicted the world economy for so long will end."

The ECOSOC session has now entered its general discussion of international economic and social policy.

#### PRC Delegate's Speech

OWI31940 Beijing XINHUA in English 1839 GMT 13 Jul 82

[Text] Geneva, Jul 13 (XINHUA) -- "In order to improve North-South relations, the present most urgent task is to launch, as soon as possible, the global negotiations under the aegis of the United Nations," a Chinese representative said here today.

"The major developed countries should respond to the demands of the developing countries by taking concrete action," he added.

Tian Jin, the Chinese representative, was speaking at the summer session of the U.N. Economic and Social Council [ECOSOC]. He said: "It is essential to correctly and closely combine the solutions to the pressing problems faced by the developing countries with the primary objectives of establishing the new international economic order."

Tian Jin mentioned two such pressing problems: Firstly, to assist the developing countries to raise funds in order to offset their payments deficits and to meet their development needs; and secondly, to overcome trade protectionism against the developing countries.

The Chinese representative criticized some developed countries for shifting their own economic difficulties on to the developing countries by practicing trade protectionism and drastically reducing their aid to developing countries. He said that the most fundamental cause of the growing deterioration of the world economy is the existence of old, unjust international economic relations.

He noted that today, "the developed countries are still in a position of monopoly while the developing countries are suffering from all kinds of control, restriction, domination and exploitation." Therefore, he said, the developing countries "are strongly demanding the transformation of these old international economic relations and the establishment of a fair and equitable new international economic order."

In his statement Tian Jin also criticized the recent invasion of Lebanon by Israel, the continued armed occupation of Afghanistan and Kampuchea by the big and small hegemonists, and the apartheid policy being practised by the racist regime of South Africa. "All this has not only jeopardised international peace but also seriously obstructed the development of world economy," he noted.

In conclusion, the Chinese representative pledged his country's continued support for the developing countries in their efforts toward the establishment of a new international economic order.

FRIENDSHIP GROUPS MARK DPRK TREATY ANNIVERSARY

SK141131 Beijing in Korean to Korea 1100 GMT 11 Jul 82

[Radio address by Chu Tu-nan, vice president of Chinese People's Association for Friendship With Foreign Countries and president of China-Korea Friendship Association, on the 21st anniversary of the signing of the treaty for friendship, cooperation and mutual assistance between China and DPRK -- initial words in Mandarin fading into translation]

[Text] The 11th of July is the 21st anniversary of the signing of the treaty for friendship, cooperation and mutual assistance between China and Korea, which is of historic significance in the development of friendly and cooperative relations between the peoples of China and Korea. Representing the Chinese People's Association of Friendship With Foreign Countries and China-Korea Friendship Association, and availing myself on this occasion, I extend warm congratulations to the fraternal Korean people.

China and Korea are close, fraternal neighbors. The peoples of China and Korea have long been on traditionally friendly terms. In the protracted struggle against the common enemy, the peoples of our two countries, mutually supporting and encouraging each other and sharing life and death and weal and woe, fought shoulder to shoulder. The militant friendship sealed in blood between us has been maintained on the basis of the principles of Marxism-Leninism and proletarian internationalism. This friendship is a most precious one, which has overcome historic trials.

The signing of the China-Korea treaty for friendship, cooperation and mutual aid on 11 July 21 years ago between Comrade Kim Il-song, the great leader of the Korean people, and our respected and beloved Comrade Premier Zhou Enlai showed that the friendly and cooperative relations between the peoples of China and Korea had entered a new, higher historical stage.

We rejoice over the fact that, during the past 21 years, our two countries have mutually supported and closely cooperated with each other, aided each other in the international arena, assisted each other in socialist construction and advanced shoulder to shoulder. The cooperation between our two countries in various sectors, including the economic, cultural, scientific and technological sectors, has been continuously expanded, along with the exchange of friendly visits between the peoples of the two countries. Mutual visits by the leaders of our two countries in recent years have greatly contributed to continuously developing the friendly and cooperative relations between the two countries onto a new, higher level, to further developing the militant friendship between the peoples of China and Korea and to accelerating socialist constructions in the two countries. This shows that the friendly and cooperative relations between the peoples of the two countries have set an example in relations among socialist countries.

Greeting the 21st anniversary of the signing of the agreement for friendship, cooperation and mutual aid between China and Korea, our people rejoice over the great successes the fraternal Korean people have attained in the various sectors of socialist revolution and construction under the wise leadership of President Kim Il-song, their great leader and the Korean Workers Party [KWP].

Two years ago I visited Korea, the land of the rising sun, in the capacity as leader of a delegation of the Chinese People's Association for Friendship With Foreign Countries and the China-Korea Friendship Association. During our visit of some 10 days, we received a warm, fraternal welcome and hospitality accorded by the Korean people everywhere we went, including the capital city of Pyongyang, the demarcation city of Kaesong and beautiful Mt Myohyang. We were deeply impressed by the lofty political zeal and revolutionary spirit displayed by the fraternal Korean people in socialist construction. We appreciate the heroic spirit of the Korean people strenuously struggling with the fighting revolutionary spirit of self-reliance. This greatly encourages us. We are greatly proud of having such a strong Korean people as our comrades-in-arms.

Today the fraternal Korean people are confidently and vigorously struggling to successfully accomplish the militant tasks set forth by the respected and beloved President Kim Il-song at the Sixth KWP Congress, to brilliantly achieve the magnificent goal of the Second 7-Year Plan and to more prosperously build their fatherland. We sincerely wish the fraternal Korean people new, greater successes in their socialist revolution and construction.

During our stay in Korea, we saw at Panmunjom the Military Demarcation Line -- a result of the division of the beautiful three thousand-ri land of Korea by artificial causes. We saw the pain all the Korean people were suffering because of the division of the country and of their blood kin.

All the Korean people have a unanimous desire for reunifying the fatherland at the earliest possible date. All the Korean people have long made steady efforts to achieve the fatherland's independent and peaceful reunification. The proposal for the North and South of Korea to form a Democratic Confederal Republic of Koryo advanced by President Kim Il-song is entirely rational and practical. This proposal meets the basic interests and desires of all the Korean people and the common desire of the world's peace-loving people.

The Chinese people resolutely support the basic stand of the Korean people for achieving the fatherland's independent and peaceful reunification and their righteous stand for ending the division of the country and forcing U.S. forces to withdraw from South Korea. We firmly believe that the Korean people will surely achieve their sacred cause for the fatherland's reunification under the leadership of President Kim Il-song and the KWP and that the beautiful three thousand-ri land of Korea will finally be reunified.

In recent years, there have been exchanges of visits by delegations of the Korea-China Friendship Association, the Chinese People's Association for Friendship With Foreign Countries and the China-Korea Friendship Association. These visits have contributed affirmatively to promoting understanding and cooperation between us and to further developing the fraternal friendship between the peoples of China and Korea.

Greeting the 21st anniversary of the signing of the treaty for friendship, cooperation and mutual assistance between China and Korea, we firmly believe that, thanks to the positive efforts of the parties and governments of our two countries, the friendly and cooperative relations between our two countries will be continuously strengthened and develop to meet the common cause of the peoples of our two countries. The traditional friendship, which has been maintained between the peoples of our two countries and which has a great history, will develop generation after generation.

Our Chinese People's Association for Friendship With Foreign Countries and China-Korea Friendship Association will strive with the Korean comrades to make the beautiful flower of China-Korea friendship blossom more beautifully. We will make every possible effort toward this end.

#### PRC Delegation's Interview

SK141200 Beijing in Korean to Korea 1100 GMT 11 Jul 82

[Station reporter's interview with members of the Shanghai municipal friendship delegation recently returned from DPRK]

[Text] Today marks the 21st anniversary of the signing of the Sino-Korean treaty of friendship, cooperation and mutual assistance, which holds great historic significance. Together with the fraternal Korean people, the Chinese people are celebrating this significant day. Sino-Korean relations are invincible. China and Korea are friendly allies sharing their destiny with each other -- no matter whether there is sorrow or joy. The two peoples of China and Korea established a firm political friendship with blood through a long period of revolutionary struggle.

About 20 years ago, the great leader of the Korean people President Kim Il-song, the Chinese people's intimate friend, visited our country, leading a delegation of the Korean party and government.

While visiting our country, President Kim Il-song and Premier of the State Council Zhou Enlai, on behalf of their respective countries, concluded the Sino-Korean treaty of friendship, cooperation and mutual assistance.

Since then the friendship of the two peoples has developed into a solid, friendly alliance. Fighting together against the common enemy in firmer unity, the two peoples are advancing, joining hands.

As President Kim Il-song has noted, the treaty has contributed to making the two peoples united as invincible allies advancing together to the end.

Some time ago a Shanghai municipal friendship delegation led by Wang Daohan, mayor of the Shanghai Municipal People's Government, visited Korea. During his visit to Korea, Wang Daohan signed an agreement on establishing relations between Shanghai and Hamhung as friendly cities. This, the first such occasion between China and Korea, is another event of historic significance in the history of friendship between the two peoples of China and Korea.

Shanghai is the biggest industrial city in China; Hamhung is in Korea. As Shanghai is a main port city in China, so is Hamhung in Korea.

During the period in which the two countries are building socialism, the establishment of friendly city relations between Shanghai and Hamhung will not only contribute to accelerating friendly exchanges between Shanghai and Hamhung in various sectors, including economic and cultural, but to stepping up the socialist construction of the two cities and developing Sino-Korean friendship.

While staying in Korea, the Shanghai municipal delegation, which received a warm and amicable welcome from the Korean people and the Hamhung citizens, again felt the Korean people sentiments of friendship toward the Chinese people.

Some time ago, a station reporter visited Comrade Chen Dongbo, vice chairman of the Shanghai Municipal Economic Commission, who was a member of the delegation, and asked him to talk about his impressions of Korea.

Referring to the warm and amicable welcome from the Korean people and the Hamhung citizens, Comrade Chen Dongbo said: "The Shanghai municipal friendship delegation visited Korea. We received a warm and friendly welcome from the Korean people. Though we visited Korea for only 7 days, we spent joyous days in an atmosphere in which the friendly emotions of the two peoples of China and Korea overflowed and we felt the warm friendship of the Korean people.

"In particular, the great leader of the Korean people, President Kim Il-song, in spite of his busy schedule with state affairs, received us and had a friendly conversation with us. This impressed us very much.

"While visiting Korea, we witnessed the fact that, under the wise leadership of President Kim Il-song, the Korean people built their poor, backward country into a prospering socialist country at Chollima speed in the postwar period. As a result of this, they seethed with a new spirit of vitality.

"Hamhung City, establishing friendly city relations with Shanghai, is a heroic city preserving a glorious revolutionary tradition. During the period of the fatherland liberation war, the Hamhung people greatly contributed to the cause of fatherland liberation by displaying their stout revolutionary spirit under the wise leadership of the KWP, led by their great leader President Kim Il-song.

"In the postwar period, they erected another, new Hamhung on the ashes, overcoming difficulties and trials and healing the wounds caused by the war.

"Hamhung developed into a big industrial city with a population of about 700,000 and with about 600 big and small plants. Hamhung is a model city, having developed industry with its own strength.

"The citizens of Hamhung erected with their own equipment and technology various plants and enterprises, including the 8 February vinalon complex, the Hungnam chemical fertilizer complex and the Yongsong machine plant.

"The seed of a leap forward which Hamhung citizens created became the model of the Chollima movement. We were deeply impressed by the Hamhung citizens' passion for constructing their country and their successes in implementing this construction.

"We are proud of establishing friendly city relations with Hamhung -- a city with a glorious history. The establishment of friendly city relations between Shanghai and Hamhung will make a new contribution to the friendship of the two peoples of China and Korea.

"During our visit to Korea, the members of the Shanghai friendship delegation were impressed by the Korean people's friendship toward the Chinese people.

"The members of the delegation reverentially inspected the Zhou Enlai statue erected at the Hungnam chemical fertilizer plant in Hamhung.

"When Premier Zhou Enlai and Vice Premier Chen Yi visited Korea in 1958, President Kim Il-song accompanied them to the Hungnam chemical fertilizer plant, which they inspected together. Premier Zhou Enlai delivered an enthusiastic speech at the plant, which had been built on the ashes of war, and received an ardent welcome from Hamhung citizens and the employees of the Hungnam chemical fertilizer plant.

"Under the warm care of President Kim Il-song, Hamhung citizens erected the Zhou Enlai statue there in 1979. This unreservedly shows the firm friendship of the KWP and the DPRK Government, which are led by President Kim Il-song, and the Korean people toward the Chinese people.

"The members of the delegation witnessed that Sino-Korean friendship and unity -- which was established and strengthened by Chairman Mao Zedong and Premier Zhou Enlai, during their lives, with President Kim Il-song -- was developing with each passing day.

"Thanks to the formation of the establishment of friendly city relations between Shanghai and Hamhung, the flower of the Sino-Korean friendship will fully blossom.

"During its visit to Korea, the delegation learned invaluable lessons from the Korean people, who have struggled to construct socialism."

(Hai-u), (?deputy) director of the urban planning bureau of the Shanghai municipal government, said: "During our visit to Korea, we were deeply impressed by the successes attained by the Korean people in socialist construction. We should learn various invaluable lessons from the Korean people.

"While visiting Pyongyang and Hamhung, we saw that city planning was well carried out in the two cities. In particular, the capital of Pyongyang was beautifully constructed. The streets of Pyongyang were very clean and its residents were well mannered.

"Afforestation work was also well carried out in Korea. The beautiful mountains and rivers of Korea, where flowers and trees were well cultivated everywhere, left us with unforgettable impressions.

"The Shanghai municipal friendship delegation visited heroic Kaesong city. At Panmunjom, we inspected various historic artifacts showing the shameful defeat of the arrogant U.S. imperialists. These were records of the shameful defeat of the arrogant U.S. imperialists.

"At Panmunjom, the delegation became deeply aware of the common desire of the 50 million Koreans for reunifying at the earliest date their land which has been divided for 37 years.

"The Chinese people resolutely support the Korean people's just struggle to realize the independent and peaceful reunification of their fatherland. The Korean people invariably support the Chinese people's just struggle to reunify their fatherland by restoring Taiwan to the (?mainland).

"The two peoples of China and Korea support each other's common struggle to reunify their countries. Through the common struggle, the two peoples have established a firm, militant friendship.

"The two peoples's friendship will be everlasting like the Hwang and the Yalu rivers. The two peoples' friendship will [words indistinct]."

PRC ENVOY TO BRITAIN FETES MARGARET THATCHER

OW130834 Beijing XINHUA in English 0703 GMT 13 Jul 82

[Text] London, July 12 (XINHUA) -- Chinese Ambassador to Britain Ke Hua gave a banquet tonight in honor of British Prime Minister Margaret Thatcher, who is scheduled to visit China next fall. At the banquet under a most cordial atmosphere, Ke Hua and Mrs Thatcher exchanged view on wide-ranging international issues and bilateral relations.

HAO DEQING FETES BRITISH PARLIAMENTARIAN GROUP

OW141534 Beijing XINHUA in English 1507 GMT 14 Jul 82

[Text] Beijing, July 14 (XINHUA) -- Hao Deqing, president of the Chinese People's Institute of Foreign Affairs, today met and feted a delegation from the Parliamentary selected committee for defence of Britain led by the committee's Vice-Chairman John Gilbert.

PRC, TAIWAN SCHOLARS MEET AT UK MEETING

OW110900 Beijing XINHUA in English 0801 GMT 11 Jul 82

[Text] London, July 10 (XINHUA) -- The 28th conference of the European Association of Chinese Studies was held in Cambridge, Britain, from July 5 to 10.

Attending the conference were about 200 sinologists from Europe and other areas, including A.F.P. Hulsewe of the Netherlands, W. Frank of West Germany, Owen Lattimore of the United States, Joseph Needham of Britain and Goeran Malmqvist of Sweden as well as many people of Chinese origin. Other exchanged at the conference what they have gained in studying China's culture, history, society, languages, laws and education. Many prominent scholars read their research papers which covered appreciation of culture of the Yin Dynasty (around 10th century B.C.), theories of the Qin Dynasty (221-207 B.C.), poems of the Tang Dynasty (618-907), Ci [as received] of the Song Dynasty (960-1279), lyrics (qu) of the Yuan Dynasty (1644-1911), an appraisal of the role played by Mao Zedong's "Talks at the Yenan Forum on Literature and Art" in the past 40 years and the investigation into the spiritual civilization and ethical education being energetically encouraged in present-day China.

All these exchanges and approaches reflected the appreciation and interests of the sinologists towards Chinese history and culture.

The famous Chinese writer Tang Tao and archeologist Li Xueqin attended the conference on invitation. They gave talks on the study of modern literature and new discoveries in China's ancient civilization.

During the conference, a Taoist scholar from China's Taiwan Province exchanged views with Li Xueqin on archeological work.

The headquarters of the European Association of Chinese studies is located in Paris and holds a conference every two years.

FRENCH NATIONAL DAY MARKED IN BEIJING 14 JUL

OW141420 Beijing XINHUA in English 1323 GMT 14 Jul 82

[Text] Beijing, July 14 (XINHUA) -- French Ambassador to China Charles Malo gave a reception at the embassy here this afternoon to celebrate the national day of the Republic of France.

Among the guests were Zhu Muzhi, minister of culture, Han Xu, vice-minister of foreign affairs, and leading members of other departments concerned. Diplomatic envoys of various countries to China were also present.

JI PENGFEI MEETS WITH IRISH DELEGATION

OW141334 Beijing XINHUA in English 1311 GMT 14 Jul 82

[Text] Beijing, July 14 (XINHUA) -- State Councillor Ji Pengfei met and had a friendly conversation here this afternoon with delegation of Irish public figures headed by D. Kinlen, president of the Irish-Chinese Cultural Society.

Present were Xie Bangding, vice-president of the Chinese People's Association for Friendship With Foreign Countries, and John Campbell, Irish ambassador to China.

The delegation arrived here July 12. Wang Bingnan, president of the Chinese amity association, gave a dinner yesterday in honor of the guests.

JI PENGFEI MEETS ITALIAN COMMUNIST DELEGATION

OW121510 Beijing XINHUA in English 1501 GMT 12 Jul 82

[Text] Beijing, July 12 (XINHUA) -- Ji Pengfei, member of the Central Committee of the Communist Party of China and state councillor, met here this afternoon with a delegation from the Italian Communist Party (I.C.P.). The delegation is led by Romano Ledda, member of the I.C.P. Central Committee and secretary of the Centre for Studies in International Politics.

Ji Pengfei briefed the guests on China's current major tasks and discussed with them international issues of common interest. Later, Ji gave a dinner for them. Present were Qian Liren, deputy head of the International Liaison Department of the C.P.C. Central Committee, and Wang Zhaohua, deputy head of the Organization Department of the C.P.C. Central Committee.

The guests arrived here on July 8 at the invitation of the International Liaison Department, and were feted by Qiao Shi, head of the department.

NEW NATO PROPOSAL IN TROOP REDUCTION TALKS NOTED

OW091738 Beijing XINHUA in English 1515 GMT 9 Jul 82

[Text] Vienna, July 8 (XINHUA) -- A new NATO proposal here will help reduce NATO and Warsaw Pact land and air forces in central Europe to 900,000 each. The new formula was put forth by West German Ambassador Walter Boss in the form of a draft treaty at the 312th plenary session of the troop reduction talks here today.

The reduction will take place in four stages spread over seven years. The plan foresees the withdrawal of 13,000 U.S. troops and 30,000 Soviet soldiers in its first stage. In the second stage, 31,000 NATO troops and 93,000 Warsaw Pact servicemen including 33,000 from Soviet units will be pulled out. The same numbers of NATO and Warsaw Pact troops will be withdrawn in the next stage. And in the fourth stage, NATO will pull out 18,000 soldiers and the Warsaw Pact, 64,000 including 34,000 from Soviet units.

A NATO spokesman told a press conference later today that the Warsaw Pact has at least 150,000 more ground troops in central Europe than NATO. This is an important factor for instability in the area, he added. He stressed if no agreement was reached on the number of troops, the draft treaty could not play any role.

Soviet delegation leader Valerian Mikhaylov described the new formula of the Western nations as "unsatisfactory in many aspects." But he said Warsaw Pact nations would "carefully and objectively study the new Western proposal."

#### EEC HOLDS SYMPOSIUM ON PRC FOREIGN TRADE

OW091322 Beijing XINHUA in English 1255 GMT 9 Jul 82

[Text] Brussels, July 8 (XINHUA) -- A two-day symposium on China's structural reform of foreign trade system, organised by the EEC Commission, ended here today.

It was the first time for the EEC Commission to organise such a symposium since the establishment of formal relations between the EEC and China. The present symposium, one of the follow-ups of the EEC-China business week held last year, was aimed at strengthening mutual understanding and extending trade and economic ties between China and the EEC.

A Chinese mission (delegation) for the symposium headed by Li Shude, director of the third department of the Chinese Ministry of Foreign Economic Relations and Trade, was invited to address the symposium on concrete foreign trade approaches and measures taken by China in carrying out the policies of economic readjustment. About ninety EEC trade officials, businessmen and bankers from the ten EEC countries heard with interest the speeches made by the Chinese mission.

Many described the symposium as valuable and useful through direct contacts. It showed that China and the EEC have the common desire of further developing EEC-China relations. Umberto Toffani, deputy director general of external relations of the EEC Commission, said in his opening speech: "We have long noted and appreciated the support given in China for a united and strong Europe, and we for our part support a united, stable and prosperous China."

#### PRC BELIEVED TO BUY 1 MILLION TONS OF EEC WHEAT

OW100957 Hong Kong AFP in English 0919 GMT 10 Jul 82

[Text] London, July 10 (AFP) -- China is believed to have bought a million tons of wheat from the European Community during the recent visit to Europe by a Chinese trade delegation, sources in the city here said. Observers said the deal concerned mainly French wheat for delivery in October.

Expert circles said it was expected that China would buy half a million tons (?of wheat), but it was now believed that the EEC had granted special export subsidies to boost these sales. The fixed price was believed to be 130 dollars a ton FOB compared with a current FOB price of 140 dollars in the United States for soft red winter quality.

LIAOWANG ON HU YAOBANG'S VISIT TO RURAL HEBEI

HK140809 Beijing LIAOWANG in Chinese No 5, 20 May 82 pp 2-4

[Report by LIAOWANG reporters Wang Qin [3076 2953] and Tan Feng (6151 7364]: "An Ordinary Sunday -- Comrade Hu Yaobang Visits Rural Areas in Hebei"]

[Text] On Sunday morning 18 April, a grass-green helicopter flew across the blue sky in the warm sunlight from Beijing to Yi County in Hebei Province. This was the plane on which Comrade Hu Yaobang rode during his visit to Baoding Prefecture in Hebei Province and Yi County was the first stop of his visit that day.

As we all know, the central leading comrades seldom have any holidays or Sundays. Comrade Hu Yaobang had a very busy day yesterday. He had just seen the president of the socialist republic of Romania, Nicolae Ceausescu, off, and the next day he had to attend another important meeting. Actually, he should have spent a peaceful Sunday like an ordinary inhabitant in Beijing and taken a rest. However, he is used to an exciting militant life. He told his close working personnel to arrange a visit to the rural areas of Yi, Anxin and Xiong Counties in Baoding Prefecture, Hebei Province.

"The Heroes Return From the Mountain With Trees Planted"

Yi County is situated at the eastern foot of Taihang Shan. The terrain is strategically situated and accesss to it is very difficult. It is a natural defense for the southwestern part of the capital and is a place contested by all strategists. The State of Yan built the famous Xiaxu here and the ruins of the ancient city are still relatively intact. During the period of liberation wars, Comrade Yaobang command a PLA unit fighting against the KMT army here, and he established a profound and revolutionary friendship with the people. After liberation, he was very concerned about the socialist construction and the living conditions of the people here. On 17 April 1979 he personally wrote a letter to the Yi County CCP Committee after he had read a report on afforestation in Yi County. He encouraged the people of Yi County to promote afforestation and try their best to afforest Taihang Shan. It has been 3 years since he wrote the letter. How is the afforestation work going in Yi County? He wanted to see for himself and help the cadres and the masses of the county realize the ideal of afforesting Taihang Shan.

At about 0820, Comrade Yaobang took a helicopter to Yi County; it did not land immediately. From the northeastern part of Yi County to the southwestern part of Langya Shan, the helicopter circled twice over Yi County. Comrade Yaobang inspected the afforestation situation of Taihang Shan that winds to the northeast.

At about 0930, the helicopter landed on an open area near Qingxiling tomb. Comrade Yaobang disembarked from the helicopter and had a cordial talk with the comrades of the Yi County CCP Committee. When he learned that the county CCP committee Secretary Ren Lianfei had recently been transferred from Wangdu, he gladly said that Wangdu was a nice place and that he had been there before. Comrade Yaobang talked with them while walking and very soon they were in the reception room of a local army barracks. Comrade Yaobang had a cordial and casual talk with them. As a result, the long report prepared by the county committee secretary was cancelled and a forum was held instead. Comrade Yaobang said: From the helicopter, I can see that there are trees on the hills of Angezhuang, but the hills in the southwest are bare and there are no trees around the reservoir on the west side of Angezhuang. We must plant more trees! The area of Yi County is some 2,500 square kilometers, that is 3.82 million mu; if you can only afforest 3,000 mu a year, in 10 years, only 300,000 mu will be afforested. At this speed, will will not be able to afforest our hills in 100 years.

In August last year during his inspection of Baoding, Comrade Yaobang proposed that effective measures be adopted to afforest Taihang Shan, that "responsibility hills" and "private hills" be practiced and that nurseries of young plants be promoted. This time he again gave his opinions in a systematic manner. First, we must be resolute in distributing 20 percent of the hills to the peasants and this will remain unchanged for 30 and 50 years. Second, encourage nurseries of young plants. The county CCP committee should take the lead to promote the raising of young plants. All bureaus under the county CCP committee should plant 1 mu of trees and sponsor all organs, schools, factories and mines to promote nurseries of young plants without granting them farmland or money. Only if the county CCP committee takes the lead will the subordinates follow. Third, sponsor production teams and specialized households to build more nurseries of young plants and allocate some capital to sponsor them for 2 to 3 years. For example, if 10 yuan is provided for 1 mu, then 10,000 mu will be awarded 100,000 yuan. We must be willing to spend some money. Fourth, we must advocate planting tree seeds by pressing them into the earth. If a person can plant 100 to 500 tree seeds a day and if 20 percent of them grow, then there will be 20 to 100 trees. After the rain, every person can carry 5 jin of seeds and their lunch with them and work for a day. The seeds should be pressed 1 or 2 inches into the earth, then the birds will not be able to eat them. In the past, we advocated building fish-scale pits. Although we dug quite a lot of them, not many trees grew. Much effort was wasted. We do not oppose digging fish-scale pits altogether, however, we must find an efficient and effective way to plant trees on high hills.

Finally, Comrade Yaobang recognized that there were many tourists to Xiling in Yi County, and he had a rather interesting suggestion. He said: We can mobilize tourists to plant "souvenir trees." We can prepare saplings, tools and fertilizer for them so that they can plant trees on hills. They can write their names on labels and hang them on the trees.

Comrade Yaobang's suggestion was very inspiring. Some comrade said, in this way, we can prevent people from carving their names on tree trunks. Hearing this, everybody burst into laughter. Then, Comrade Yaobang said, we welcome tourists from Tianjin, Baoding and Beijing to plant five or eight trees...next year, or the year after, they can come back to see their trees. We also welcome foreign tourists to plant trees, if they are interested. There are many famous hills in China; we can do the same on Tai Shan, Hua Shan, Heng Shan, Emei Shan and Langya Shan.

Apart from planting trees, we must also protect trees. Otherwise, we will waste our efforts planting trees but none of them will survive. Comrade Yaobang said, we must integrate planting trees with planting grass. If there is more grass, the draft animals will not eat the trees since they will have grass to eat. Therefore, planting grass is an invisible protection for forests. Comrade Yaobang counted on his fingers and said that there were about 20 counties in northern and southern Hebei which are located in the Taihang mountainous region, and that if all those counties follow the above-mentioned methods, then, in 20 to 30 years' time, the appearance of Taihang Shan will be changed. Certainly, in order to achieve this, we should be very resolute. Comrade Yaobang said: When Jing Ke, the hero of Yan State, sailed across the waters of Yi to assassinate the emperor of the Qin State, he wrote these solemn and stirring lines: "The wind sighs and moans and the waters of Yi are chilly, there is no return for the hero." Now that we are afforesting Taihang Shan, we can change these lines into "The wind and the dust soar and the waters of Yi are shallow, the hero returns from the mountain with trees planted."

#### "Well Done" in the Diversified Operations

On 18 April at 1400, Comrade Yaobang flew to Baiyangding Lake in Anxin County. When the helicopter landed on a bank of the reed pond of Songzhuang brigade, Comrade Yaobang disembarked and suggested holding a forum with the comrades from the county CCP committee there on the bank. The comrades from the county CCP committee suggested going for a ride on a wooden motorboat and having a look at Baiyangding Lake. Comrade Yaobang gladly agreed. They rode in a wooden motorboat toward "Dayaquanding" along the waterway which is connected to the bank of the reed pond.

Although April is not the rainy season, the horizon of Baiyangding Lake merged into the water of the lake and there was a boundless expanse of blue water. Villages surrounded by trees dotted the bank of the lake and there were green patches of reed ponds. The small motorboat broke through the water and moved forward. Comrade Yaobang sometimes looked into the distance and sometimes talked with the county CCP committee Secretary Wang Jie, who sat next to him.

"How many people are there in Anxin?"; "what is the population in the water areas?"

"More than 50,000 in the water areas and some 70,000 in the lakeside area, altogether 120,000 people."

"What is the area of the water surface of Baiyangding?"

"366 square kilometers."

"How about the area of the reed ponds?"

"About 120,000 mu."

"What is the per unit area yield of the reed ponds?"

"An average of 1,000 jin in Jinding."

"Good gracious, the yield is too low. Reed ponds should be promoted and the yield should be improved."

Comrade Yaobang also asked: "Has the responsibility system been practiced in reed fields?"

"Yes, and contracts have been signed."

"Well done, well done."

At that moment, a flock of famous Bairding "lake ducks" swam out of the reeds; Comrade Yaobang was very pleased. He pointed at the ducks and asked: "Have you practiced the responsibility system with these ducks?" Wang Jie answered: "Yes, and we have practiced the contract system." Comrade Yaobang said: "Well done, well done."

The small boat circled around the lake covering about 8 or 9 li before it anchored alongside the shore. Comrade Yaobang invited the comrades of the Anxin County CCP Committee to the helicopter to talk. He asked several questions concerning the living standard of the masses. Comrades from the county CCP committee answered that the living standard of the masses had been improving and that in 1980 the average income per capita was 116 yuan and in 1981, it was 125 yuan. Since the production responsibility system had been practiced, the income of the masses has increased. Hearing this, Comrade Yaobang immediately pointed out that democratic appraisals and examination must be practiced while the responsibility system was carried out. Cadres must not give privileged treatment to their relatives and friends, and be prejudiced against other people. This is a common phenomenon among cadres in rural areas and counties. We must carry out investigations and prevent them from doing so. We must promptly discover these cases and correct the wrongdoings of the cadres.

Talking about promoting the diversified economy, Comrade Yaobang mentioned the rich aquatic resources of Baiyangding Lake. He counted the advantages one by one: the prospect for developing fresh water fishing is definitely good; shrimp and crabs that are the special products of Baiyangding Lake are famous throughout the country, and artificial breeding should be promoted. Growing reeds should be promoted and the output should be raised. We must plant more fruit trees and willow trees and the industry of weaving willow leaves should be promoted. Would it not be a good idea to double the income of the commune members by 1985? Comrade Yaobang directed the comrades to take a broad and long-term view and to seek new avenues to raise the living standard of the people. Everybody was very excited and happy.

On 22 August 1981, when Comrade Hu Yaobang inspected Baoding, he mentioned that Baoding had the advantage of being very close to Beijing and Tianjin. The agricultural and sideline products of Hebei such as peanuts, sesame, walnuts, dates and haws could be transported to Beijing and Tianjin. They were big markets for Hebei. Transportation to Beijing and Tianjin is very convenient, and a bicycle would be all right because one can return to Hebei on the same day.

Comrade Yaobang said: This is an advantage that can "kill two birds with one stone" since Beijing and Tianjin can provide markets for the special products of the rural areas in the counties of Baoding Prefecture and Hebei can supply Beijing and Tianjin inhabitants with the daily commodities which they lack.

#### "We Are All Under the Party!"

At 1500 Comrade Yaobang arrived in Xiong County. The First Secretary of the Hebei Provincial CCP Committee Jin Ming had already arrived in Xiong County to wait for Comrade Yaobang. Comrade Yaobang was very familiar with Xiong County. During the 10 years' internal disorder, since there were vigorous struggles between the two factions, there were many ups and downs, and work and production had not been promoted for a long time. When Comrade Yaobang arrived at the conference room of Wenquan guesthouse, his first question was: "Have you solved the ideological problems regarding the faction issue?" The county CCP committee Secretary Li Guijun reported that in handling the problems left over by history, they have adhered to the decision of the party's sixth plenary session and put the emphasis on distinguishing right from wrong. They did not quibble over the matters of the past and upheld solving problems by just means and by seeking truth from facts. As a result, production has been promoted. Hearing this, Comrade Yaobang smiled and said: "Is it thoroughly solved, or is it merely a temporary phenomenon?" Then, he continued to say that the Hebei party organization has its merits and has a glorious tradition. However, there are also blind factional sentiments and blind arrogant sentiments. These two blind sentiments have confused the rights and wrongs of the party. "The Communist Party is a party that stresses right and wrong and it is responsible to the people. We must not form factions and must be subordinate to the party and take the party's principle as the norm. All of us are under the party." Everybody nodded their heads while listening to Comrade Yaobang.

The topic of conversation shifted to the question of strengthening grassroots construction. Comrade Yaobang asked: "Can the brigade cadres read RENMIN RIBAO?" The responsible person of the county CCP committee said that it was not too common for cadres in rural areas to read the newspaper. Some of them cannot read the newspaper because they are not well educated and sometimes the newspapers do not arrive on time. Comrade Yaobang said: This is related to the educational background of the cadres. What kind of people will you select to become secretaries of party branches? You must be resolute in promoting secondary school graduates who are about 30 years old to be secretaries. In a brigade, if there are 5 to 6, or 7 to 8, people who can read newspapers, who are really concerned about state affairs and can hear the voice of the CCP Central Committee, then it will be fine. By that time, if there is anyone who does something that violates the instructions of the CCP Central Committee, then, someone will be able to point out their mistakes and say: "Good gracious, this does not conform to the instructions of the CCP Central Committee...." In this way, the spirit of the CCP Central Committee will be able to take root at the grassroots level.

When the secretary of the Xiong County CCP Committee talked about the question that many old cadres were concerned about having their children take their places after their retirement, Comrade Yaobang said: "How can cadres be replaced by their children?" The key to the problem lies in the fact that the collective and individual economy has not been recognized and respected by society. In 1980, we have already proposed developing the service trade of towns and cities in order to serve the inhabitants and peasants of towns and cities. We must try to provide better housing, food and clothing for the masses so that the economy in towns and cities will be promoted.

This is our economic policy. If a tailor can sew clothes for 500 people, then, 2 million more people will be employed. In a few years' time, our service trade will be very prosperous. There is a West German film about the black market in Munich which gives a very good account of personnel in the service trade in West Germany. The salaries of their attendants are very high and the examination is very strict. In recent years, in the wake of improving the living standard of the people, the social status of the service trade has been correspondingly raised. When there are more hairdressing, photographic, dentistry, optometry and tailoring trades, we will be able to solve the employment problem. Comrade Yaobang said: At present, we have too many cadres and workers; to solve the employment problem, we have to promote the service trade and small towns and cities. This is the way out. Where is our country heading? Where are our rural areas heading? How to solve our employment problem? We must have great foresight, and our economy will certainly have a better development in 3 to 5 years' time.

The sun was setting. Within these 11 hours, Comrade Yaobang had gotten into and out of the plane four times, covering a journey of over 1,000 miles. During his visit, he had to inspect, listen to reports and hold forums with several provincial, prefectural and county cadres. He also gave his opinions on many major issues that people are concerned about. This is the way Comrade Yaobang spent his Sunday. When people watched the helicopter flying slowly toward the north, they all thought: With a central leading comrade like him, our party will certainly become better and better during the new historical stage and our socialist construction will certainly develop prosperously.

#### ZHANG JINGFU STRESSES ECONOMIC RESULTS

HK141006 Beijing RENMIN RIBAO in Chinese 11 Jul 82 pp 1, 4

[Report by RENMIN RIBAO reporter Lu Mu [7627 3668]: "Zhang Jingfu Discusses Current Economic Situation and Tasks for the Second Half of This Year at National Forum on Enterprise Consolidation"]

[Text] At the national forum on enterprise consolidation which began on 10 July, Zhang Jingfu, state councillor and minister of the State Economic Commission, made an important speech on the current economic situation and tasks for the second half of this year. He said that we should continue to put the stress of work on increasing economic results and should not one-sidedly seek higher output value and speed.

Zhang Jingfu said: On the whole, the situation of production, circulation, capital construction and finance in the first half of this year was good. The total output value from January to June was 51.2 percent of the annual plan and was 10.1 percent more than the same period last year. The state plan for communications and transportation was fulfilled each month. The volume of rail freight and the volume of ship freight by ships directly under the Ministry of Communications were respectively 8 percent and 10 percent more than the same period last year. The volume of commodities purchased and marketed also increased. From January to May, the total volume of commodities purchased and the social retail volume of commodities were respectively 10.4 percent and 9.2 percent more than the same period last year. The total volume of export commodities in the first half of this year was 14.4 percent more than the same period last year. The financial situation was fine. From January to June, the financial revenue was 4.8 percent more than the same period of last year and expenditure increased by 12.7 percent. Revenue exceeded expenditure. Both money withdrawn from circulation and savings in cities and rural areas were more than the same period last year. The total amount of investment on capital construction in the first half of this year was 30 percent more than the same period last year. The progress of major projects quickened. In agricultural production, owing to natural disasters, the amount of summer grain may be equal to or slightly less than that of last year.

He said: The main reason why the current economic situation is relatively good is that achievements have been made in implementing the principle of "readjusting, restructuring, reorganization and upgrading" the national economy. We are doing our economic work more steadily and carefully.

We have gone through the most difficult economic period and have embarked on a road of steady and healthy development. However, we must be aware that we must make protracted and arduous efforts before we can bring about a fundamental change for the better in our national economy.

Zhang Jingfu said: The target of "ensuring a 4 percent increase while striving for a 5 percent increase" remains unchanged this year and we should continue to put the stress of work on increasing economic results. He said: The growth rate of the total industrial output value in the first half of this year was relatively fast but we should make a concrete analysis of this. The figure in the first half of last year was very low. There was a drop of 0.2 percent in the first quarter and an increase of only 1.7 percent in the second quarter. Consequently, the speed of the first half of this year was higher when compared with the same period of last year. Besides, the growth rate in the first half of this year was attained when there was a great demand for energy and transport facilities. Coal was overproduced, electricity was overgenerated, the volume of rail freight was excessive and coal stored in many localities was used up. In some localities and enterprises, as a result of one-sidedly seeking output value and speed, the quality of products is falling, material consumption is rising and the phenomena of slow-selling and stockpiling of some products have already appeared. In view of the above-mentioned situation, we should maintain the target of "ensuring a 4 percent increase while striving for a 5 percent increase" this year. We should not mouth high-sounding words. We should put the stress of work on increasing economic results, adhere to the integration of speed and results and on the basis of improving the quality of products, increasing patterns and varieties, lowering material consumption and ensuring the marketability of products, try to attain in a down-to-earth manner steady, healthy and constant development speed. We should avoid the possibility of having an increase this year but a decrease next year.

Zhang Jingfu said: We should continue to develop the production of consumer goods with great effort and further readjust the service orientation of heavy industry. The production of heavy industry began to pick up in the fourth quarter of last year. A rising momentum was maintained throughout the first 5 months of this year. In May, a new situation of the growth rate of the production and heavy industry exceeding that of light industry emerged. Some changes also took place in the structure of both heavy and light industries. In June, the ratio between heavy industry and light industry was 51 percent to 49 percent. New problems have also emerged as a result of the relatively rapid rise of heavy industry. The demand for energy and means of transport has further increased. Some localities have again produced old types of equipment with a high power consumption. Some localities have used raw materials, power and means of transportation which were formerly planned for light industry. In view of these problems, we should, from now on, continue to "give priority" to light industry "in six aspects" in order to ensure the continuous growth of consumer goods and proper market arrangements. We should continue to readjust the service orientation of heavy industry and expand its scope of service. Industrial departments and enterprises at all levels must further check the tendency of one-sidedly seeking higher output value and speed and paying no attention to social economic results. It is imperative to organize production according to plans and contracts in order to ensure the marketability of products and to avoid new stockpiling. The production of products is excessive supply has been limited and reduced. In producing these products, we must strictly implement state plans and must not exceed the required amount. We should control the production of products which consume much energy. We should make necessary and appropriate readjustment of annual state plans in order to reduce the production of products in excessive supply and increase the production of products in short supply.

Zhang Jingfu said: We should adopt measures to do our best to ease the tense situation of coal, electricity and transportation. He said: The situation of coal and electricity production and communications and transportation has been good this year but we have not yet been able to meet the needs of the development of industrial and agricultural production. The production capacity in the northeast and the east of China and the Beijing, Tianjin and Tangshan area has not been brought into full play as a result of a coal shortage all the year round.

Restriction points have increased continuously on major railway lines, such as the Beijing-Guangzhou, Beijing-Shenyang, Tianjin-Pukou, Longhai and Zhejian-Jiangxi lines. From a long-term point of view, in order to ease the tense situation of coal, electricity and transportation, we must increase the speed of construction, add new capacity and ensure synchronous development of coal, electricity and transportation. At present, we should arouse the enthusiasm of localities and coal mines in producing more coal and supplying more coal. We should do a good job in keeping a balance between coal, electricity and transportation within a region and organize industrial production according to the coal supply and transportation capacity. We should pay particular attention to the economical and safe operation of electricity networks and to increasing the quality in generating electricity and should not do anything at the expense of the equipment. We should continue to do a good job in economizing on energy. He stressed: The development of our country's economy depends on economizing on energy. We should extensively carry out activities of economizing on energy and set up an economic structure with high efficiency and low consumption. We should take a greater step forward in renewing and transforming boilers, transformers, fans and pumps with high energy consumption. At the same time, we should universally install meters for electricity, water and coal gas and charge according to the amount consumed. We should resolutely abolish the system of charging a fixed amount of money in disregard of actual consumption. We should continue to do a good job in readjusting enterprises. Regarding enterprises whose production technology is backward, whose energy consumption is high and whose economic results are poor, we should resolutely implement the principle of shutting down, suspending operation, merging with other enterprises or switching to the manufacture of other products. We should give guidance to enterprises run by communes and production brigades.

Zhang Jingfu said: We should strengthen links and coordination between industry and commerce and make better market arrangements. He said: At present, the market is relatively brisk and there is a relatively ample supply of commodities. This is something rare since the founding of the country. In some localities, the masses formerly "saved up money and waited for commodities" and now they are "saving up money and selecting what they will purchase." At present, relatively great changes have taken place in the market. Some commodities which were in short supply in the past can not be bought in any quantity. The supply of commodities which are of good quality and whose patterns and varieties are popular is still not sufficient. Some commodities which were easily marketable last year do not sell easily this year. Although there was an overall increase in commercial purchase and marketing from January to May this year, the volume of unmarketable commodities in stock continues to increase. The time for the turnover of commodity circulation funds is 20 days more than the same period last year. He said: While the sensitivity of market information is still low and the role of economic levers is still limited, we should solve in two ways the problem of commodities which are not easily marketable and are stockpiled in large quantities. One is that commercial departments should make efforts to enlarge circulation channels and to promote sales. The other is that industrial departments must limit production. We must grasp these two things at the same time. In the second half of this year, all localities and departments should do arduous work in making clear what products are blindly produced, what products are unmarketable only because of circulation problems, and what products are not easily marketable and stockpiled because of changes of market supply and demand. They should then take measures to solve these problems according to specific conditions. Banks should supervise the circulating funds of enterprises and the commercial purchase funds.

Zhang Jingfu said: We should strictly control financial and credit expenditures and ensure that the task of "two balances and one steady increase" is fulfilled. He said: Owing to the growth of agricultural production, this year's financial income may slightly exceed our plan and we may fulfill the quota set for the withdrawal of money in circulation. However, revenue was less than expenditure in May and June. The key to ensuring the fulfillment of the task of "two balances and one steady increase" this year is to strictly control expenditure.

Expenditure by the central authorities should be controlled and that by localities should also be controlled. We should do work in this respect at once and should not wait till the fourth quarter and then have to adopt measures which we do not want to adopt if we have an alternative. We should strengthen management of credit funds. We should stop granting loans to enterprises which do not pay attention to social economic results and which carry on production blindly. We should control the granting of loans to enterprises whose products are stockpiled in large quantities and which use too much in circulating funds. At the same time, we should make efforts to handle goods in stock or stockpiled and do a good job in checking up on warehouses. We must give guidance in and provide supervision of the use of funds which are not included in the budget.

Zhang Jingfu said: We should do a good job in technological transformation and technological importation, centering round the upgrading and improvement of products. He said: It is an old problem that the industrial products of our country are backward and their quality is poor. The problem of paying attention only to output value and quantity and overlooking variety and quality has not yet been solved. There are over 200,000 mechanical and electrical products, of which about 60 percent function poorly and should either be renewed or eliminated. More than 70 percent of the light industrial products remain at the level of the 1950's or 1960's, and 20 percent of them remain at the level of the 1930's or 1940's. The processes and technical equipment of most enterprises are also very backward. In order to change this situation, we must ideologically and in practice persist in putting variety and quality in the first place. We must also make some improvement in the management system and management methods. We must make improvement in the variety and quality of products. We must firmly grasp the work of technological transformation and technological importation in existing enterprises. We should make greater steps in technological transformation. The technological transformation of machine building should take the lead. We should link scientific research, technological importation, readjustment, restructuring and technological transformation together to form a continuous line. We should follow the work through to the end. Technological transformation should be carried out in conjunction with the utilization of foreign investment and technological importation and should be linked with the work of strengthening scientific research and popularization of new technology.

Zhang Jingfu finally said: We must make up our minds to do a good job in consolidating enterprises. He stressed: Doing a good job in consolidating enterprises has an important bearing on increasing economic results, increasing financial revenue and bringing about a fundamental change for the better in the national economy and on accumulating strength and laying a good foundation for making the economy prosper in the future. Practice has proved that greater economic results and higher speed can be attained through consolidating enterprises. While consolidating enterprises, we should do a good job in readjustment. We should readjust the structure of products and the organizational structure of enterprises. Some of them have to shut down, suspend operation, merge with other enterprises or switch to the manufacture of other products. He said: Compared with the restorative consolidation which was carried out several years ago, the current enterprise consolidation has different contents and has higher demands. This is constructive overall consolidation and comprehensive tackling of problems. We should firmly grasp the work of consolidation and should pay attention to effects. The time of consolidation should be subordinate to the quality of the consolidation. In the coming 2 to 3 years, various kinds of work in an enterprise should be brought into the orbit of consolidation and arranged in an overall way by the enterprise in light of consolidation.

HE JIANZHANG ARTICLE ON PLANNED, MARKET ECONOMY

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[Article by He Jianzhang [0149 1696 4545] of the Economic Research Institute under the State Planning Commission: "More on Planned Economy and Regulation by Market Mechanism"]

## I

[Text] "The Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China" adopted by the party Central Committee pointed out: "It is necessary to practise a planned economy on the basis of public ownership and at the same time give play to the supplementary, regulatory role of market mechanism." When talking with the leading members of the State Planning Commission last Spring Festival, Comrade Chen Yun emphasized that ours is a planned economy; it is necessary to adhere to the principle of taking the planned economy as the dominant factor and regulation by market mechanism as a supplement. The relationship between planned economy and regulation by market mechanism is a problem related to the orientation of reforming our economic management system and first of all, the system of planned management. In recent months, economic theoreticians and economic workers have concentratedly discussed the problem of "taking the planned economy as the dominant factor and regulation by market mechanism as a supplement," but they have not attained a uniform opinion. In summary, the main views are as follows:

1. Taking planned economy as the dominant factor means that mandatory plans should play a major role. The reason for this is that mandatory plans represent the basic feature of the socialist planned economy; important enterprises having a bearing on the national economic lifelines are owned and operated by the state and products of importance to the national economy and the people's livelihood are also controlled by the state. Practising mandatory plans in this part of production, which accounts for a large portion of gross value of industrial and agricultural output, indicates that ours is basically a planned economy.
2. Taking the planned economy as the dominant factor means that a major role should be given to planned management. Planned management includes mandatory plans and instructional plans. Apart from a small number of major products which are of importance to the national economy and the people's livelihood and should be subject to mandatory plans, the production and marketing of most products should be handled under instructional plans which have no binding force. The comrades holding this viewpoint believe that one of the important tasks in our future reform of the planning system is to master the economic levers and gradually reduce mandatory plans while replacing them by instructional plans.
3. Taking the planned economy as a dominant factor means that regulation by planning mechanism should perform a major function. Our national economy is mainly regulated by plans. Regulation by market mechanism characterized by spontaneous forces can only function as a supplement.

In the course of discussion, many comrades held that the economic levers should be utilized while practising either mandatory plans or instructional plans or regulation by planning mechanism. For example, a balance between supply and demand can be secured by laying down correct pricing policies; profit margins of the specific products and enterprises can be regulated by adjusting tax rates; bank loans can be used to encourage or limit the production of a specific kind of goods; and so on. All this, however, is realized when the state consciously makes use of the economic levers in the form of value to ensure the smooth accomplishment of state plans. Therefore, it falls into the realm of regulation by planning mechanism. Only free production within the limits allowed by the state and those commodity prices which are not uniformly fixed by the state but float freely according to market conditions, belong to the realm of market mechanism.

To sum up, different understandings of "taking planned economy as the dominant factor" still exist. As for "taking regulation by market mechanism as a supplement," market mechanism is generally regarded as that part covering free production and freely floating prices. In this regard, "planned economy" seems not to include the supplementary function of regulation by market mechanism, thus excluding regulation by market mechanism from the realm of "planned economy." All this calls for further exploration.

## II

In order to comprehensively understand the relationship between planned economy and regulation by market mechanism, it is necessary to start from the problems of what the regulators of socialist production are and what forms they take in functioning.

## 1. The Regulators of Socialist Production

Planned and proportionate distribution of social labor among production branches is an objective economic law of socialism and communism. Marx said: "Society must reasonably distribute its time. Only thus, can the production meeting all needs of society be realized. Therefore, the economy of time and planned distribution of working hours among different production branches is still the chief economic law on the basis of joint production." While reviewing the practical experience of the Soviet socialist economy in the first 30 years, Stalin correctly pointed out in his book "On the Soviet Socialist Economic Problems" that, the law of planned and proportionate development of the national economy is the regulator of socialist production. At the same time, he also emphasized that "only when it is based on the basic socialist economic laws, can the role of the law of planned development of the national economy be brought into full play." So, it can be said that both the basic socialist economic law and the law of planned development of the national economy are regulators of socialist production. However, Stalin denied the regulatory role of the law of value in socialist production. This is related to his viewpoint of confining the socialist commodity production merely to personal consumer goods. In recent years, the economic circles of China have made some breakthroughs in this problem. Many comrades hold that socialist commodity production and exchange not only exist between the economy under the ownership by the whole people and the one under collective ownership, but also exist inside the economy under the ownership by the whole people. The fundamental reason lies in the fact that a difference in economic interests exists between different enterprises under the ownership by the whole people. These enterprises are, in fact, mutually treated as relatively independent producers of commodities. In the socialist economy, not only consumer goods but also the means of production are commodities. Under the condition that commodity production and exchange prevail, the law of value as the "basic law" of commodity production, of course, plays a role in a wide sphere. Prices, as a motive form of the law of value, not only function in the "bookkeeping" in all economic units, but have close relationships with the economic interests of enterprises and laborers. Thus, prices cannot but affect their initiative in carrying out state plans and play a certain regulatory role in the production. Actual economic life also fully proves this point. Why are many of the products in excess supply so frequently produced above the planned quotas that even the ceiling output laid down in state plans cannot be abided by. It is because these products are highly priced and greatly profitable. Why can some products in short supply not meet the state plans, even when the state demands an increase in production by issuing administrative orders? It is mainly because these products have low prices and can merely bring small profits, and some even bring losses. Comrade Hu Qiaomu correctly pointed out: "It can be seen that the law of value cannot be regarded as playing no role in production under the socialist system. The practice of our economic construction has proved this point. When working out state plans, we can and must give play to the role of regulating production by the law of value through pricing policies." "Stalin underestimated the role of the law of value when he said that this law does not regulate the production under the socialist system but at most has an influence on it." How can social production be regulated in accordance with the objective economic laws?

Comrade Hu Qiaomu said: "Planning first, pricing second; this means that we should first work out plans in the light of social demands, then set reasonable prices for various products, thus making prices serve plans instead of separating one from the other." (Hu Qiaomu: "Speed Up the Realization of the Four Modernizations by Working in Accordance With the Economic Laws," RENMIN RIBAO, 6 Oct 1978) I completely agree with Comrade Hu Qiaomu's argument. In my opinion, "in the light of social demands," means following the basic socialist economic law and the law of planned and proportionate development of the national economy; while "setting reasonable prices for various products," means following the law of value. In short, the major regulators of socialist production are the basic socialist economic law and the law of planned development of the national economy, while the law of value also plays a certain regulatory role.

## 2. The Law of Value Plays the Supplementary, Regulatory Role Through Markets.

Since the law of value can, to a certain extent, regulate socialist production, what forms then does it take in performing this function? The value is a thing which cannot be seen or touched. The function of the law of value can only be reflected in the change of prices of other commodities exchanged in markets. Engels said: "The continuous variation of commodity prices from commodity value forms a necessary condition. Owing to this condition, and only under this condition, can commodity value exist. Only through the fluctuation of competition, and thus the fluctuation of commodity prices, can the law of value be implemented in commodity production and the determination of commodity values by social necessary working hours be realized." Lenin said: "The price is a demonstration of the law of value. The value is the law governing prices, or the generalized manifestation of the phenomenon of prices." When the price is higher than the value, that is beneficial to producers and stimulates them to develop production. Conversely, when the price is lower than the value, that is not beneficial to producers and will force them to reduce production or change the items of production. The law of value regulates the production just through the motion of prices. Under the condition of the socialist economy, our major basis for working out plans should, of course, be the social demands rather than the amount of profits, and we should implement both mandatory plans and instructional plans. At the same time, it is necessary to make use of the regulatory role of the law of value and help smoothly accomplish state plans through reasonably working out and adjusting prices for various products. Some comrades do not agree with this viewpoint. They hold that, although commodity production and exchange, hence the market and price, and other economic categories still exist in the socialist economy, market and regulation by market mechanism are two different concepts. The conscious utilization of prices and other economic levers related to the value does not fall into the sphere of regulation by market mechanism but belongs to regulation by planning mechanism.

In my opinion, a difference indeed exists between market and regulation by market mechanism. The concept "market" summarizes all kinds of relationships in commodity exchange, while "regulation by market mechanism" refers to the gains and losses caused by the changes of prices and its influence on commodity production. Thus, these two concepts cannot be lumped together. On the other hand, the relationship between them should also be noticed. If one says that a unified market exists in the socialist system but does not play a regulatory role, this is tantamount to saying that the exchange relationship in this market does not affect gains and losses or the interests of producers, and thus does not play any regulatory role in the production. In fact, this viewpoint denies that this exchange relationship is a relationship of commodity exchange and that the law of value plays a certain regulatory role in this exchange relationship. Of course, since the socialist economy is a planned economy, the major part of industrial and agricultural products are produced according to plans. State plans are laid down first in accordance with the social demands and not the amount of profits. But, as mentioned above, when setting and adjusting prices, the state cannot but take the law of value into account, because whether prices are reasonable or not has an important bearing on the smooth accomplishment of the plans. This indicates that the market also plays a regulatory role in the production of industrial and agricultural products handled in accordance with state plans.

The fact is, when we consciously work in line with the law of value and reasonably arrange the price parties between various goods, state plans can be implemented more favorably. If we act conversely, this would cause unfavorable conditions, or even aggravate the imbalance inside the economy. For example, for a fairly long time in the past, the prices of farming products, especially grains, were on the low side; agricultural production developed slowly and the balance between agriculture and light and heavy industry was not properly arranged. Since the 3rd Plenary Session of the 11th CCP Central Committee, we have raised the purchase prices for grains and other farming products by a big margin. In recent years, the situation of agricultural production has become better and better, the agricultural production has become better and better, the agricultural production plans have been satisfactorily accomplished and the ratios between agriculture and light and heavy industry have tended to be more harmonized. Of course, the good situation in agriculture also comes from the introduction of various agricultural production responsibility systems and other factors. But it cannot be denied that one of the important factors is the conscious utilization of the price levers and the display of the supplementary role of market mechanism. Therefore, I think that, when commodity production and exchange exist, and thus the market exists, regulation by market mechanism thereby objectively exists and plays a role whether we can consciously utilize it or not. The only problem is that different consequences will be brought about. As for the saying that the conscious utilization of prices and other economic levers does not fall into the sphere of regulation by market mechanism but is a measure which belongs to regulation by planning mechanism, this cannot but give rise to a question: What does "to consciously utilize prices and other economic levers" mean? Does that not intend to regulate production to a certain extent by adjusting prices? If regulation by market mechanism does not play any role, then why is it necessary to "consciously utilize prices and other economic levers"?

## III

The socialist economy is a planned economy. At the same time, it is not an autarkical natural economy, nor a product economy excluding commodity and money relationships. Instead, commodity production and exchange still broadly exist in the socialist economy. First, the socialist economy does not include everything. Under the socialist system, labor force is no longer a kind of commodity. All natural resources are owned by the state, hence are not commodities and cannot be bought or sold. Second, the socialist economy is not based on the private ownership of the means of production and is not developed blindly. It is based on the socialist public ownership of the means of production and developed under the guidance of state plans. Thus it is a planned commodity economy. The law of value, through the market, helps regulate the whole of social production. If this viewpoint is tenable, then the existing economic management system, particularly the planned management system, should be correspondingly reformed.

In the socialist society, the planned economy must be practiced on the basis of public ownership. This is repeatedly enunciated by Marxist classical authors. The problem is how to concretely implement this principle. Before the mid-1950's many socialist countries just copied the Soviet mode. The theoretical basis for this mode is that the exchange between state-owned enterprises is not commodity exchange; the problem of markets does not exist; the law of value does not play the role of regulating production. Hence, this mode is characterized by exclusion of regulation by market mechanism and the implementation of mandatory plans issued by the central authorities which highly centralizes the decisionmaking power. The superiority of this system is that it can pool material resources and manpower in society and use them to meet those urgent requirements of the society, thus ensuring a rapid development of some specific branches in the national economy. The most serious shortcoming of this system is that it denies the relatively independent economic interests of basic production units, deprives them of decisionmaking power in operations and management and attaches them to the administrative bodies at all levels. Under these circumstances, any operational activities of the enterprises have to follow the orders issued by the senior departments in charge. The whole national economy thus falls into a state of ossification or semiossification.

As a matter of fact, it is not possible for a state or a social economic centre to accurately calculate all the needs by the hundreds of millions of people in their daily lives and by the hundreds of thousands of enterprises in their production, still less to lay down an accurate plan for production and distribution that tallies with the complex social demands for each production unit or business unit. At the same time, production units have no rights to amend plans in lines with social demands or to correspondingly improve their operational activities. As a result, this highly centralized planning system inevitably gives rise to the phenomena of nonconformity between production and social demands, monotonous varieties, specifications and product designs and low and poor efficiency. The practice has also raised such a problem: How are production units, when social production as a whole is guaranteed to develop in a planned way, able to consciously and promptly adjust their production plans and improve their operations in accordance with the change in social demands? Since the mid-1950's, the states which implemented the unity system of mandatory plans have all conducted reforms one after another. Their common measure is to utilize market mechanism in different degrees and take steps to regulate production by market mechanism. In this course, the traditional idea of equating a planned economy with unitarily implementing mandatory plans has been broken through.

In China, Comrade Chen Yun was the first man to discover the maladies of the traditional system of planned management. He has put forth a series of correct measures for reforming this system. In September 1956, in a speech directed at the phenomena of excessive centralization and rigid control in economic management at that time, and entitled "New Problems Since the Basic Completion of Socialist Transformation," Comrade Chen Yun maintained: The methods of purchasing and marketing between industrial and commercial enterprises should be changed. The way that commercial departments place orders with industrial departments should be changed to the way that factories purchase raw materials and sell goods. When commercial departments purchase products of factories, the following measures can be adopted: 1) State monopoly for the purchase and marketing of the products which are simple in specifications and of importance to the national economy and the people's livelihood, such as cotton yarn, cotton cloth, coal, sugar and so on, should continue to be carried out, so as to ensure supply and stable markets. 2) For a great multitude of manufactured articles, state monopoly for purchase and marketing should be gradually substituted by selective purchase. For those subject to selective purchase, commercial departments are given priority to choose and purchase. Manufacturers themselves can market that which is not purchased by commercial departments or consign them for sale in commercial departments. Except that the raw materials which are short in supply can be allocated by the state, manufacturers should be given a free choice and purchase raw materials by themselves. As for a part of agricultural and sideline products, such as small native products, the united purchase of them by the purchase and marketing cooperative should be changed to the method that state-owned shops, cooperative shops and groups and the pruchase and marketing cooperatives are all allowed to freely purchase them and transport them for sale. No mutual blockade is allowed. The way that peddlers and hawkers do business in the form of cooperative groups should be maintained for a long time to come. As for pricing policies, different prices should be allowed for goods of different qualities; new products can be priced at a high point in the period of trial-sale; prices can be freely negotiated for some small native products. In the aspect of production plans, mandatory plans need not to be exerted on the production of manufactured articles, handicrafts and small native products; it is enough to issue instructional plans on these items. Factories making these daily-use articles can arrange production by themselves in line with the market conditions. They are not bound by the reference quotas issued by the state. Due amounts of profits are handed over to the state at the end of a year according to the results of business. Comrade Chen Yun designed an economic mode for China at that time: 1) In the aspect of industry and commerce, the enterprises owned by the state and by collectives should be the main body; at the same time, a certain number of individual businesses should be allowed to give play to the role of their business supplementary to the business handled by the state and collectives.

2) In the aspect of production planning, the major part of industrial and agricultural products throughout the country should be produced in accordance with state plans; at the same time, some goods can be freely produced within the scope allowed by state plans in the light of market conditions. Planned production is the main body of industrial and agricultural production. Free production within the scope allowed by the state in line with market conditions is a supplement to planned production. 3) In the unified socialist market, the main body is the part controlled by the state; free markets also exist under the state guidance within a given scope. These free markets should be supplementary to the state markets. Thus they are a component of the unified socialist market.

These viewpoints of Comrade Chen Yun represent a great breakthrough of the traditional ideas of planned economy. First, he studies and considers all economic activities in this country from the angle of the unified socialist market. This shakes off the old dogma that denies the broad existence of commodity production and exchange in the socialist economy. Second, he divides planned management into three parts -- mandatory plans, instructional plans and free production. This breaks the old idea that considers planned economy as unitarily practising mandatory plans. Third, he views free markets under state guidance as a component of the unified socialist market. This is absolutely different from the old viewpoint that considers free markets as the remnants of the old society and the alien force in the socialist economy.

Comrade Chen Yun's viewpoints are completely correct. The pity is that they could not be put into practice because of the influence of the erroneous "leftist" guidelines at that time. In the days of the "Great Leap Forward" and in the 10 years of chaos, some people were blindly anxious to change the ownership forms from "small collectives" to "big collectives" and from the ownership by collectives to the ownership by the whole people. They also downplayed the economy of free markets. They even tried to exclusively pursue mandatory plans in the collective economy as they had done in the state-owned economy. As a result, the phenomena of nonconformity between production and demands and imbalance inside the national economy become more and more severe; economic results were poorer and poorer. The economic management system had come to the point where reform was imperative. The communique of the 3rd Plenary Session of the 11th CCP Central Committee held in December 1978 pointed out: "One of the serious drawbacks in our existing economic management system is the excessive centralization of power. The power should be transferred, under leadership, to lower levels. Localities and industrial and agricultural enterprises should be given more decision making power in their operation and management under the guidance of unified state plans." The communique, referring to the violation of economic laws in economic management and the neglect of the role of markets and the law of value, emphasizes: "We must firmly work in line with economic laws, set great store by the role of the law of value, pay attention to linking ideological and political work with economic measures and fully arouse the production initiative of cadres and laborers." In accordance with the instructions and decisions laid down by the party Central Committee and the State Council, we have, in recent years, conducted a series of reforms on the economic management system. In the aspect of circulation, the system of state monopoly for purchase and marketing of most products has been changed step by step. Apart from a small number of consumer goods and capital goods, such as grain, cotton, petroleum, coal and timber, which are important or in short supply and still subject to state monopoly for purchase and marketing, commercial departments work out purchasing plans for common commodities in the light of market demands and factories work out their production plans according to both these purchasing plans and market demands. Factories that do not have enough orders can change their product items to suit market demands and open markets for themselves.

Products complying with the state standards and industrial products supplied by the state in fixed areas can all be sold in any place in the whole country. No localities and departments are allowed to blockade their markets. In the distribution of materials, except that the raw materials and equipment which are of importance to the national economy and the people's livelihood need to continue to be subject to planned distribution, products in ample supply products must be unlimitedly supplied; markets for the means of production must be set up; trust services for materials must be developed; and so on.

In addition, not only has the trade in rural fairs been restored in recent years, but rural communes and production teams and peasants have also been able to bring those of their products allowed by the state to sell in urban areas. In foreign trade, the state permits some areas and enterprises, under the unified leadership of the foreign trade department, to handle export and import business by themselves or to operate joint ventures with specialized foreign trade companies. In a word, the scope of regulation by market mechanism has been enlarged in the field of circulation.

The experience in the last 3 years has proved that remarkable results have been achieved by correctly handling the relationship between plans and markets and properly making use of the role of regulation by market mechanism. Of course, because we have not fundamentally changed the unreasonable part of the structure of industry, prices and the management system, the scope and degree of regulation by market mechanism are still very limited. Moreover, because the overall control and supervision have not kept pace with the reform, and because of the imperfect economic legislation, some confusion has occurred in the course of expanding regulation by market mechanism. In some aspects, state plans have also been impeded. For example, the basic grain purchase quotas have become lower and lower, and the amount of above-quota purchases at higher prices and purchases at negotiated prices have been larger and larger. Because selling prices do not change, the state's financial burden is getting heavier and heavier. In addition, some important raw materials cannot be transferred in an orderly manner. However, this is not the inevitable outcome of regulation by market mechanism. It results from the fact that, in this period of readjustment, some major ratios in the national economy and reforms in different fields are still not coordinated nor in conformity with each other. Therefore, excluding regulation by market mechanism is not the solution. Instead, we should go ahead, better handle the relationship between plans and markets, and explore ways for perfecting the economic system and the planning system.

In accordance with Comrade Chen Yun's suggestions and the experience of our initial reform in recent years, together with the experience of other countries, we can envisage that our planned management system should be one combining mandatory plans, instructional plans and free production altogether, so as to give play to the supplementary role of regulation by market mechanism in the planned management as a whole.

1. Mandatory plans. The state should work out the unified and comprehensive plans for the important economic activities which concern overall interests and have a bearing on the national economy and the people's livelihood and the departments and localities concerned must implement these plans. Besides this, in order to ensure the coordinated development of the national economy and guarantee the basic needs in the people's lives, it is also necessary to carry out mandatory plans for the production and distribution of materials which are in short supply and of importance to the overall economy; unified prices for these goods should be fixed by the state. Production units must guarantee the accomplishment of these plans. This should cover the major means of production produced in the state-owned enterprises and the major agricultural and sideline products in the collective economic units as well as the consumer goods supplied on rations. In this case, it is mainly based on the basic socialist economic law and the law of planned and proportionate development of the national economy that the state work out these plans so that they comply with social demands, with the law of value as the second consideration. Sometimes, the law of value cannot but be violated to suit the plans to the overall interests. In this respect, the role of productive forces is low, materials are in short supply and the economy is imbalanced, and the scope of mandatory plans is fairly large. It should be pointed out that there was an idea in the past which held that the more things in the fields of production, purchasing, transferring and distribution which were subject to the state's mandatory plans, the more prominent the planning nature. This is a misunderstanding. As a matter of fact, this is an expedient measure when materials are in short supply and the economy is imbalanced. Although it has the advantage of guaranteeing the minimum needs, the maladies it brings about are that enterprises and individuals are limited from free choice and thus they are likely to make products unsuited to market demands.

Hence, some products become overstocked while others run out. Moreover, these goods were excluded from the scope of commodity production and commodity exchange in the past. For a long time, when production and exchange were arranged, market conditions and the role of the law of value were seldom taken into account. The prices of these goods are not adjusted for a long time. This situation is apt to cause a long-term variation of prices from values, which is neither beneficial to regulating production nor to regulating consumption and keeping the balance between supply and demand. Henceforth, market conditions and changes of commodity values must be taken into account when mandatory plans are exercised, so as to readjust production plans and commodity prices as promptly as possible. At the same time, when the economic situation is getting better, the scope of mandatory plans should be gradually reduced, so that enterprises can improve their operation in the light of actual conditions to meet the social needs much better. For example, the production and distribution of mechanical products was mostly conducted according to mandatory plans in the past. Since the investment in capital construction was fairly large and the supply of many products could not satisfy demands, the problem was not so prominent. In recent years, since the investment in capital construction has been reduced by a large margin, the problem has become obvious. In 1981, although the state issued an output value quota, production assignments arranged by the departments concerned (such as automobiles distributed unifiedly, assignments for exports and foreign aid and orders placed in the meetings organized by the departments in charge) only accounted for about 20 to 25 percent of the planned output value. The accomplishment of the other 75 to 80 percent of the plan of output value had to be solved by enterprises themselves through markets. However, the output value plan was still overfulfilled. This example shows that, when supply exceeds demand, properly reducing the scope of mandatory plans and correspondingly expanding the scope and the role of market regulation will be more beneficial to the accomplishment of the output value plans laid down by the state and to better meeting the social demands. Of course, under some particular conditions, a small proportion of products which are seriously overproduced can be put under the control of mandatory plans which limit their production. But this measure is merely available for a few particular cases. If this is generally adopted, the social production as a whole will wither. It should be pointed out that some prominent imbalances exist at all times, and thus necessary administrative intervention and mandatory plans must be maintained. It is incorrect to absolutely negate mandatory plans.

2. Instructional plans. Instructional plans should be laid down for the production and marketing of some important products. These plans are only references for production departments and marketing departments. They have no binding force. Commercial departments can refer to the targets of instructional plans together with market demands to place orders with industrial departments and to purchase goods. Industrial departments can arrange their production in line with the orders placed by commercial departments as well as market demands. The state allows the prices of these goods to float within specified limits. The characteristics of instructional plans are that they do not mainly resort to administrative measures. Their accomplishment is ensured by relying on prices and other economic levers, so that market demands can be better reflected. Here, the role of regulation by market mechanism is much larger.

3. Free production. The state cannot lay down either mandatory plans or instructional plans for the production and marketing of a great multitude of manufactured articles and agricultural and sideline products. All the state can do is give general market forecasts or provide enterprises and individual laborers with a free choice in some materials. Prices of these small commodities can freely fluctuate according to market conditions. Under the general demand of state plans, enterprises and individual laborers can independently handle their business. The role of regulation by market mechanism can be seen here most obviously. This free production, however, is different from the capitalist free production, because it is handled with the limits allowed by the state and subject to the guidance of policies and decrees. A kind of indirect plan is actually functioning.

Moreover, since commodities under mandatory and instructional plans are more important and they account for the greater part of the social gross output value, those being freely produced can only be the supplement to those directly controlled by state plans. This kind of free production and free markets are components of the socialist planned economy and the unified socialist market.

By implementing the planned management system of combining mandatory plans, instructional plans and free production together, China's economy can develop along the socialist course and flexibly adapt itself to market demands, so as to guarantee that the national economy develops in a more coordinated way.

To sum up, since ours is a planned economy, the planned management system can be the one combining direct plans (including mandatory plans and instructional plans) with indirect plans (free production). On one hand, mandatory and instructional plans and free production must all be regulated by unified state plans which embody the basic socialist economic law and the law of planned and proportionate development of the national economy. On the other hand, owing to the broad existence of commodity production and exchange in the socialist economy, the law of value still plays a certain regulatory role through markets, and thus it is necessary to make use of the supplementary role of regulation by market mechanism when carrying out state plans. In different degrees, this role is a necessary supplement to mandatory and instructional plans, and particularly to free production. This planned management system may be better suited to the demands of the socialist economic laws.

WANG ZHEN ARTICLE ON ROLE OF YOUNGER CADRES

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[Article by Wang Zhen [13769 7201]: "Preface to 'People Who Struggle for Communism Through to the End'"]

[Text] A great number of old revolutionary fighters who are loyal and devoted to the revolution without seeking fame or wealth come to mind after reading this book ["People Who Struggle for Communism Through to the End"]. They deserve the respect of the masses of people. Their ordinary but moving deeds make me happy and inspire me. If you were to ask what are the communist character and morals and what are a Communist Party member's values, I would say that the materials collected in this book have, in one respect, provided a relatively satisfactory answer.

The proletarian revolutionary cause is a great cause which must be passed from generation to generation. Facing the new historical period of socialist modernization construction, the party's central authorities have decided to let some old cadres retreat to the second line, be discharged or retire from their posts; and are appointing those middle-aged and young cadres with both ability and political integrity to leading posts. This is not only a wise decision which conforms with the natural law of supersession of the old by the new, but also a farsighted strategic measure which will ensure the long-term stability of the state. It conforms with the fundamental interests of the people of all nationalities throughout the country. Just as Comrade Deng Xiaoping pointed out: "After all, these old comrades of ours are loved. They always stand high and see far." Now, abiding by the party's arrangement, some old comrades are pleasantly leaving the posts at which they have been fighting for a long time and beginning new lives. This book can give them hints and help on how to lead a more meaningful new life.

A long time ago, I read a Soviet play "Miners in Donbass," which was published when Stalin was alive. This book mentioned the director of a coal mine of worker origin who had been commended by Stalin and awarded a medal for his outstanding work. Later, as more and more automatic mining machines were put into use, this director talked to the provincial party committee secretary, requesting that he be discharged from his post because his own knowledge was insufficient to handle the job. He recommended that the chief engineer of the coal mine assume the post of mine director. The children of miners called him Grandpa Donbass. I really admire Grandpa Donbass' farsightedness in attaching importance to technical specialists and his lofty style in recommending people with both ability and political integrity.

We have cultivated a large number of specialists since the founding of the new China. Now, it is the time to put more trust in them, give them more support and entrust them with heavier tasks so as to speed up the development of the socialist modernization construction.

Being a large country with a population of 1 billion, China has to build up a high degree of socialist spiritual civilization as well as a high degree of socialist material civilization and has to do myriads of things. I think that all our retired old comrades should follow the good examples of those veteran fighters presented in this book, do what they can for the people and contribute every ounce of strength. Certain trivial and concrete things do not sound so important. However, they really need hands to be accomplished. Whoever is willing to achieve them conscientiously and persistently will be able to contribute to the four modernizations and do his little part to help build socialism. Thus, he will be respected when he is alive and remembered by others after his death. All these retired old comrades have been nurtured and educated by the party for several decades and have stood the tests in the long revolutionary struggle. Generally speaking, they have a relatively high communist consciousness and a relatively strong party character. Therefore, they can go to live among the broad masses of people in rural areas, plants, schools, and neighborhoods, and educate them with their own experiences. They can play the roles of revolutionary grandpas and grandmas, and thus make greater contributions to the building of socialist spiritual civilization.

As in the Chang Jiang, the waves behind drive on those before, so each new generation excels over the last one. Today a number of mid'le-aged and young cadres in their prime with socialist consciousness and solid capability are taking over, one after another, the leading tasks at different levels through the masses' recommendation and the party organizations' selection. There have emerged young ministers, young provincial governors, young county magistrates, young university chancellors, young farm directors and young factory directors, and even more people like them are emerging. There is no lack of successors to carry on the proletarian revolutionary cause pioneered by Comrades Mao Zedong, Liu Shaoqi, Zhou Enlai, Zhu De and other old generals. This is most gratifying indeed.

#### RENMIN RIBAO ON IMPROVING COAL MINE MANAGEMENT

HK141100 Beijing RENMIN RIBAO in Chinese 10 Jul 82 p 3

[Commentator's article: "Close Attention Should Be Paid To Strengthening Mechanical and Electrical Management in Coal Mines"]

[Text] In recent years there have been great changes in the quantity and quality of China's mechanical and electrical equipment in coal mines. According to statistics from relevant departments, throughout the country, there are some 1 million pieces of major equipment in state coal mines, of which 14,000 are medium-sized and large fixed equipment, a 100-percent increase over 1965. Many mines have installed low-frequency brakes, microelectronic power and silicon-controlled cable cars. The efficiency of major drainage pumps in mines has improved a great deal. Advanced log-dragging machines are extensively used for transportation. Some mines have used powerful flexible conveyor belts. Advanced equipment such as centrally controlled carriers have been employed by the transport systems of some mines. In this situation, how to strengthen management and do a good job of repair work is a very important issue in the production of coal.

At present, since some leading comrades in coal mines do not understand the importance of mechanical and electrical work, they treat mechanical and electrical departments as auxiliary departments. They study production and business management, but they seldom study mechanical and electrical management. This is incorrect. An important sign showing the difference between a modern mining area and a coalpit is that the former is operated by machines while the latter is run by simple manual operation. If mines are run by manual operation, mechanical and electrical work will play only a supplementary role.

However, coal mines today have a lot of mechanical equipment. Hence, management and maintenance of mechanical and electrical equipment is very important. We must give priority to strengthening mechanical and electrical management. Only if we do a good job of managing the existing mechanical equipment can we improve economic returns.

At present, we must pay special attention to the fact that we have not done a good job of handling the relationship between production and maintenance. Some coal mines do not carry out regular maintenance, while others one-sidedly pursue output without carrying out regular preventive maintenance. Very often, they have to carry out rush repair after an accident occurs. This is an incorrect practice. We must not pay attention only to the present and neglect the future. The service life of any advanced equipment is limited to a certain extent. Regular maintenance work is an important measure to protect the equipment and ensure that the equipment can safely operate for a long time. It can also lower the accident rate and promote continuous production of coal. If we do not carry out regular maintenance but instead exhaust the function of the equipment, once there are accidents, we will not only fail to promote output, but will also suffer great losses. The captain of the Xiejie Jiyi coal mine under the Huainan mining bureau has persisted in promoting mechanical and electrical management. By the end of 1981, 92.8 percent of the 5,000 functioning mechanical and electrical equipment was still in good condition. Throughout the year, there were no major mechanical or electrical accidents. In 1980, the actual output of coal had amounted to 1.56 million tons; in 1981, it was 1.63 million tons, exceeding the designed production capacity by 81 percent. In 2 years, it has increased output by 300,000 tons, the highest record of coal output in the past 30 years. A workman must first sharpen his tools if he is to do his work well. Only if we strengthen the routine maintenance of mechanical and electrical equipment can we ensure that the equipment will run well and that production of coal will continue to develop.

At present, we have installed a large quantity of mechanical and electrical equipment. However, since mechanical and electrical workers are recruited from different sources, their qualities cannot suit the needs. In order to do a good job of managing the mechanical and electrical equipment, we must seriously grasp the rectification and training of the mechanical and electrical ranks and raise the political quality and technological level of the mechanical and electrical workers. All units should carry out regular examinations with the operators of the mechanical and electrical equipment. If they are not up to standard, they should be trained or transferred. In replenishing mechanical and electrical workers, no matter whether they are newly employed, replacements or being transferred, they must pass an examination, and only those who are qualified will be employed. Only in this way can we build politically and technologically sound mechanical and electrical ranks.

#### ULANHU ATTENDS CONFERENCE OF CPPCC VICE CHAIRMEN

OW150821 Beijing XINHUA Domestic Service in Chinese 1414 GMT 14 Jul 82

[Excerpts] Beijing, 14 Jul (XINHUA) -- The CPPCC National Committee held a conference of its vice chairmen on the afternoon of 14 July. The conference listened to a report by an investigation group on questions concerning the preservation of famous historical and cultural cities. Then it discussed how to protect historical and cultural relics and places of historic interest and scenic beauty.

The participants pointed out: At present, cultural relics and places of historic interest and scenic beauty in many localities still suffer serious damage. All localities and people of all walks of life should deem it their bounden duty to continue making efforts to protect these precious cultural legacies of the motherland.

Vice Chairmen Ulanhu, Liu Lantao, Hu Ziang, Rong Yiren, Qian Changzhao and Dong Qiwu pointed out during the discussion: These cultural legacies are of great importance to our establishment of material and cultural civilization and to our conducting education in patriotism. All patriotic citizens should treasure and protect these legacies and resolutely struggle against any harmful tendencies and lawless persons that damage or destroy these legacies.

ZHAO JINGFU PRESENTS PRIZES TO GO CHAMPIONS

OW150332 Beijing XINHUA Domestic Service in Chinese 1254 GMT 14 Jul 82

[Excerpts] Beijing, 14 Jul (XINHUA) -- The second Weiqi "national champions tournament" ended today after 13 days of heated and tense competition.

This afternoon, the People's Sports Publishing House and the Beijing Chess Academy held a prize-presentation meeting to congratulate the five best chess players. Attending the meeting were Zhang Jingfu, state councillor and advisor to the Chinese Weiqi Association; Miao Yuntai, CPPCC Standing Committee member; Chairman Li Menghua and advisor Tang Ke of the Chinese Weiqi Association. Zhang Jingfu gave out the prizes.

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HK150820 Beijing RENMIN RIBAO in Chinese 15 Jul 82 p 7

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FUJIAN ADOPTS COMMODITY PRICE RESOLUTION

OW102118 Fuzhou FUJIAN RIBAO in Chinese 30 Jun 82 p 1

[Resolution of the Standing Committee of the Fifth Fujian Provincial People's Congress on strengthening work regarding commodity prices adopted by the 16th session of the 5th provincial people's congress standing committee on 29 June]

[Excerpts] The 16th Session of the Standing Committee of the 5th Fujian Provincial People's Congress has heard and discussed the "briefing on the commodity price work" made by Wang Yihua, vice chairman of the provincial commodity price committee, on behalf of the provincial people's government, as well as the report by the commodity price inspection group for Fuzhou, Xiamen and five other cities on its commodity price check work. The session held: To basically ensure the stability of commodity prices in the market represents a pressing need of the people throughout the province, a requirement in consolidating and developing the political situation characterized by stability and unity and an important condition to ensure the smooth development of the four modernizations program. During the past year the people's governments at all levels in the province have done a great deal of work in stabilizing market commodity prices. However, inspections in various localities have shown that there are still many problems in commodity price control and in administration. The factors of instability in commodity prices have not been completely eliminated. The people's governments at all levels must regard the efforts to stabilize commodity prices as a major task in their daily agenda aimed at developing production, stabilizing the economy and consolidating the political situation of stability and unity.

It is necessary to strengthen the commodity price control organs in various localities, reinforce the contingent of functionaries working in the field of commodity price control, bring into full play the role of such organs in placing commodity prices under strict control, conduct investigations, study well and establish a perfect system for commodity price control.

Efforts must be made to check commodity prices persistently and regularly. In addition to the mutual checkups and self-examinations conducted by various departments and units within a certain trade, it is also essential to arouse and rely on the masses to check and supervise the enforcement of price control measures. The people's deputies at all levels must actively participate in checking and closely watching commodity prices. Those units and individuals that have done a good job in implementing the commodity price policy and enforcing discipline should be commended and rewarded. Those units and individuals that have violated the State Council's directive and the provincial people's government notice must be promptly criticized and sternly handled. The people's governments at all levels and various departments concerned must earnestly study those problems which have cropped up in the course of checking commodity prices and adopt effective measures to tackle those problems.

XU JIATUN ADDRESSES JIANGSU PREFECTURAL MEETING

OW141054 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 13 Jul 82

[Excerpts] At a recent meeting of county party secretaries, the Suzhou Prefectural CCP Committee called for taking the campaign to overfulfill the autumn production plan as the key link of current work in the countryside.

Comrade Xu Jiatum attended and addressed the meeting. He said: The situation of summer harvesting in Suzhou Prefecture is good. A good foundation has been laid for fall crops. It is necessary to take grain production as a task of prime importance. The area of grain crops must be fixed and is not to be reduced.

Comrade Xu Jiatun said: In order to stabilize grain production in Suzhou Prefecture, it is necessary to have commune-run and brigade-run industries as a prop. The commune-run and brigade-run industries must undertake consolation and readjustment in order to achieve sound development. They should be primarily for processing agricultural and sideline products and for supplementing the insufficient parts of major industries.

Comrade Xu Jiatun emphasized: It is necessary to promote the campaign to overfulfill the agricultural production plan in an all-round way as the key link of work. Both the party Central Committee and the provincial party committee are concerned about Suzhou Prefecture. We should not show our contributions only by our grain production and revenue income. It is even more important for us to raise new questions and find new ways for the four modernizations and socialist construction.

#### JIANGXI FORMULATES PRICE CONTROL REGULATIONS

OW300606 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 26 Jun 82

[Text] To effectively implement the price policy and keep commodity prices basically stable, the Jiangxi Provincial People's Government recently formulated regulations concerning the strengthening of the supervision of market prices. The regulations include the following:

Price inspection organizations must be set up at municipal, district, county, neighborhood and commune levels. District governments in a municipality directly under the provincial government must set up a price control department. Rural communes and neighborhood offices must appoint full-time or part-time price control cadres so that price inspection can become a systematic and regular practice. Districts and neighborhoods in municipalities must invite voluntary price inspectors. Grassroots enterprises and specialized companies must conduct quarterly or monthly self-inspection or mutual inspection. Administrative offices and municipal, county and district people's governments must conduct a general price inspection twice or thrice yearly. An overall inspection must be carried out, especially around the 1 October National Day and the Spring Festival.

All commodities must be displayed with the prices clearly marked. Negotiated-price commodities must be clearly indicated and attached with the ceiling price stipulated by higher levels.

County and municipal governments must publish the telephone numbers of price control and market supervision departments and set up suggestion boxes at prominent places in major stores. Problems reported by the masses must be swiftly investigated and handled by departments concerned.

In selling industrial goods and agricultural produce with state-stipulated prices, it is necessary to follow the state retail price regulations. Wholesale and retail prices of manufactured goods for daily use sold by industrial enterprises at fairs must conform with the prices in state-run stores.

All departments concerned and industrial and commercial enterprises must establish a price control responsibility system, a system for stocking and pricing goods and a reward and punishment system.

All stores run by collectives or individuals must set up a system for supervising, using and maintaining in good shape weighing and measuring instruments. It is necessary to test the instruments before business starts. It is also necessary to obey the supervision of metrological departments, as well as the masses.

It is necessary to strengthen the management of trade fairs. Rural trade markets and market towns must set up a market supervision committee to implement various state policies and regulations for market control, maintain market order, protect legitimate trade and clamp down on speculation, profiteering, unauthorized price hikes and other illegal activities.

SHANDONG CONVENES MOUNTAIN WORK CONFERENCE

SK040608 Jinan Shandong Provincial Service in Mandarin 2300 GMT 3 Jul 82

[Excerpt] According to our sources, the provincial CCP committee and the provincial people's government convened the provincial mountain work conference in Wulian County on 3 July. Bai Rubing, first secretary of the provincial CCP committee, presided over the conference. Attending the conference were Li Zhen, secretary of the provincial CCP committee and vice governor of the province; Zhou Zhenxing, provincial vice governor; responsible comrades of departments concerned in various prefectures, municipalities, and counties; responsible comrades of the departments concerned directly under the provincial authority; and representatives of advanced units in some communes and brigades in mountain areas -- 264 persons in all.

Since the 3d plenary session of the 11th party Central Committee, CCP committee and people's governments at all levels throughout the province have conscientiously implemented a whole set of principles and policies formulated by the party Central Committee concerning economic construction. Yantai and Weifang Prefectures, whose natural conditions were relatively good, have accelerated the pace in becoming prosperous. The four prefectures in the west and north parts of the province, which had lagged behind for a long time, have also caught up at a rapid speed. Although many changes have taken place in mountain areas in the central and southern parts of the province, these areas still lag behind in economic construction compared with other areas.

Mountain areas account for over a third of the province's total area and have vast territory, large population, abundant resources and great potential. Being old revolutionary bases, most of these areas made great contributions to the state during the wartime. However, the living standards of the people there are low. Therefore, changing the aspect of mountain areas as quickly as possible, developing the economy in mountain areas and helping the people in mountainous areas become prosperous are a strategic policy to implement the party's line, principle and policies formulated since the 3d plenary session of the 11th party Central Committee, to readjust the agricultural structure and to speed up the construction of the agricultural economy.

The conference maintained: Only by developing and constructing mountainous areas, and planting trees in particular, can we effectively prevent soil erosion, maintain the ecological balance, promote overall development of agriculture, forestry, animal husbandry, sideline occupations and fishery and solve the problem of lopsided agricultural development. The construction of mountain areas is a fact that concerns the overall situation of the province and has important economic and political meanings. The construction of mountain areas developed slowly in some areas in the past, for various reasons. But the major reason was that the leaders were slow in understanding the problem and failed to exercise effective leadership. The opening of this conference is an important method adopted by the provincial CCP committee and the provincial people's government to quickly change the aspect of mountainous areas.

Bai Rubing Speech

SK071128 Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Jul 82

[Text] Comrade Bai Rubing, first secretary of the provincial CCP committee, delivered an important speech at a provincial conference on work in mountainous areas in Wulian County on 5 July. He emphatically pointed out: Accelerating the development of mountainous areas has become a task of strategic importance for our province's economic development, especially agricultural economic development, and brooks no delay.

The provincial authorities as well as the prefectural, municipal and county authorities must mobilize and concentrate on successfully executing this task.

Comrade Bai Rubing's speech dwelled on the following nine points:

1. The reevaluation of the importance of mountainous areas.
2. The principle of developing mountainous areas.
3. Planning for developing mountainous areas.
4. Farmland capital construction in mountainous areas.
5. Policies for developing mountainous areas.
6. Science and technology.
7. The issue of all trades and professions supporting the development of mountainous areas.
8. The issue of intensifying ideological and political work.
9. The issue of strengthening the party.

Comrade Bai Rubing said: This conference on developing mountainous areas is attended by some 250 secretaries from the various prefectural, municipal and county CCP committees and responsible comrades of the relevant provincial departments. This is the first meeting of such scale in our province exclusively devoted to development of mountainous areas. The reason the provincial CCP committee decided to convene this meeting is based on consideration of the overall situation of the province's agricultural development.

Comrade Bai Rubing analyzed the situation of the province's agricultural development. He explained that mountainous areas account for 34.9 percent of the province's areas. Therefore, proceeding from the requirements of the province's overall economic development as well as the pressing demands of the people living in the mountainous areas, we must develop the mountainous areas. Politically, maintaining close ties between the party and people in the mountainous areas, which used to be revolutionary bases, is of great significance for consolidating the democratic dictatorship of the people and promoting the smooth progress of the four modernizations.

Comrade Bai Rubing said: The provincial CCP committee and government have said that beginning in 1983, mountainous areas should effect some changes in 3 years, reap some results in 5 years and completely transform themselves in 10 years. It is urged that by 1985 all areas suitable for growing will be planted with trees and that the greenery plan will be fulfilled by 1990. By that time, we will have a greenery coverage rate of over 30 percent, which is capable of controlling soil erosion.

Comrade Bai Rubing pointed out: To accelerate the development of mountainous areas, we must acquire a new, thorough understanding of the mountainous areas. For a long period in the past, some of our comrades had a bias toward mountainous areas. They invariably associated mountains with poverty and regarded them as a burden. We must overcome such a metaphysical understanding. Mountainous areas have many weak points, but they have more strong points. Vast in area and rich in resources, mountainous areas are making more income and progressing more rapidly. Comrades in party committees at all levels as well as those in various departments should sum up their experience, unify their thinking and genuinely solve their ideological problems. After this conference, we should conduct a general discussion among the cadres and the masses in mountainous areas. By way of discussion, we should make them correctly understand and exert concerted efforts to develop mountainous areas.

Comrade Bai Rubing pointed out: The adoption of a principle for developing mountainous areas is vital for the economic development of the mountainous areas. We must proceed from reality in formulating this principle, suit measures to local conditions and make different arrangements in different areas.

We must not copy mechanically in disregard of specific conditions. In general, we should resolutely implement the principle of diversifying production but never ignoring grain production as set forth by the central authorities. In remote mountainous areas blessed with little or no good land, we should develop forestry as the key link and promote diversified undertakings. In hilly areas we should develop forestry as the key link and promote agriculture, forestry, livestock breeding and diversified undertakings simultaneously.

Comrade Bai Rubing said: As long as the policy is correct, the arrangement is rational, the measures are appropriate and we earnestly implement them, we can make grain production and forestry development promote each other and achieve simultaneous development of agriculture, forestry, livestock breeding, sideline production and fisheries in all mountainous and hilly areas.

As for the planning for developing mountainous areas, Comrade Bai Rubing pointed out: We must correctly understand and reflect the objective law of mountainous areas. He said: According to our experience of many years, we must pay attention to the following points in drawing up plans for developing mountainous areas: 1) Make unified plans for mountains, water, forestry, farmland and roads and deal with these problems in a comprehensive manner. 2) Pay attention to the future as well as the present. 3) Draw up all-round plans for production, construction, science, culture, education, public health and other undertakings.

In conclusion, Comrade Bai Rubing emphatically pointed out: In attending to developing mountainous areas, the most important and crucial thing is to strengthen the party and attend to the reorganization of leading bodies. Party committees in the mountainous areas of the province, leading bodies at all levels in particular, are urged to earnestly sum up and examine their ideology and work style in the light of the guidelines of relevant central directives, and examine whether their guiding ideology governing the development of mountainous areas is correct, whether they have fostered a spirit of hard work and plain living and whether they have opened a new prospect in their work.

Comrade Bai Rubing said: Each of you party members must set clear demands in your work, foster lofty ideals and set high goals. You should strive to hand down to our descendants green mountains and clear water, not yellow mountains and barren hills, as the cadres in Wulian County are trying to do. [Passage indistinct]

#### Conclusion of Conference

SK091008 Jinan Shandong Provincial Service in Mandarin 2300 GMT 8 Jul 82

[Excerpt] According to our reporter, the provincial conference on work in mountainous areas concluded on 8 July in Wulian County after a 6-day session. The conference urged CCP committees and people's governments at all levels in mountainous areas to regard the accelerating of the development of mountainous areas as a pressing task of strategic importance and to make new contributions to early improvement of mountainous areas and to achieving an overall and balanced development of the agricultural economy.

Prior to this conference, responsible comrades of the provincial CCP committee and the people's government went to Wulian, Ju, Laiwu and many other counties in mountainous areas to conduct investigations and studies. During the conference, the Wulian County CCP Committee, the Ju County CCP Committee and the (Jietou) commune CCP committee in Wulian County introduced their experiences in this regard. Speaking at the conference were CCP committees of Laiwu, Rizhao, Qixia, Zhucheng, Guan and Mengyin Counties; CCP committees of the (Haiqing) commune in Jiaonan County, the (Mata) commune in Taian County, the (Ezhuang) commune in Zibo Municipality, and the (Sizhang) commune in Sishui County; and party branches of three brigades.

Comrade Bai Rubing, first secretary of the provincial CCP committee, delivered an important speech at the conference entitled: "Mobilize the Whole Party and the People To Accelerate the Building of Mountainous Areas."

NANFANG RIBAO ON IMPORTANCE OF SPECIAL ZONES

HK120737 Guangzhou NANFANG RIBAO in Chinese 5 Jul 82 p 4

[Article by Zhang Hanqing [1728 3352 7230]: "Running Special Economic Zones on a Trial Basis Is an Important Policy Decision for Speeding Up the Four Modernizations"]

[Text] After the third plenary session, the CCP Central Committee and the State Council decided to set up special economic zones in Shenzhen, Zhuhai and Shantou in Guangdong Province and in Xiamen in Fujian Province. The emergence of special economic zones in China toward the end of the 1970's and the beginning of the 1980's has been determined by the objective course of China's social development. It is characterized by objective necessity. It is not the result of a subjective assumption, nor has it been decided at will. It is the outcome of the strategic thinking on shifting the focal point of the party's work to the four modernizations program and is an important component of the open-door policy.

Running special economic zones on a trial basis is in line with the historical trends in the modern world. After the Industrial Revolution carried out by the European bourgeoisie, economic problems were no longer the phenomena of a particular country. In its development, the capitalist economy broke through state boundaries so that an international market was formed. The situation in which all countries in the world became interdependent and engaged in exchange with one another became increasingly extensive. After the October Revolution, in the light of the extremely difficult and backward situation in Russia at that time and the possibility of international capital being invested in Russia, Lenin set forth the well-known theory of state capitalism, namely, the utilization of capitalism in building socialism. At that time, there were more than 200 enterprises under the concession system in the Soviet Union, absorbing tens of millions of gold rubles [jin lu bu 6855 4151 1580] of foreign funds. They were fairly big in scale. Since World War II, the economic relations between the developed countries in the West and the developing countries have become closer. Not only do the developing countries urgently need to utilize foreign funds and learn advanced foreign technology and managerial methods in order to put an end to the backwardness of their society and economy; the developed countries also attach great importance to the development of economic and technological exchanges between countries in order to promote economic development. The capitalist countries are like this, and so are the socialist countries.

Running special economic zones is in keeping with the needs of our national conditions. Our situation today, whether politically, economically or in terms of the international environment, is greatly different from the Soviet situation at that time. However, the victory of the Chinese revolution was similar to the October Revolution of the Soviet Union. The victories of our revolution have not been won in the developed countries as envisaged by Marx, but have been won in countries which did not pass through the stage of capitalist development. The old society has left us only an awful mess. Therefore, after the accomplishment of the socialist transformation of the system of private ownership of the means of production, the level of our country's economic development was still rather backward. After the founding of the PRC, for a long time we were subjected to imperialist blockade and embargo. After the 1960's, social imperialism tried every possible means to isolate us. Furthermore, for a considerable period of time, under the influence of the leftist guiding ideology and the idea of the natural economy characterized by self-sufficiency, we took a one-sided approach of self-reliance and closed the country to international intercourse. During the decade of civil disturbance in particular, normal economic contacts with foreign countries were indiscriminately smeared as "worshipping foreign things and fawning on foreign powers" and "capitulation and betrayal." This resulted in segregating our country economically from the outside world and widening the gap between our country and the developed countries in economic, scientific and technological development. Since the third plenary session, we have implemented an open-door foreign policy and marked off a few small areas to run special economic zones on a trial basis in order to more extensively and more concentratedly absorb foreign funds and advanced technology. This is in accordance with the overall strategy for developing our economic relations with foreign countries and is undoubtedly of great importance to the speeding up of the four modernizations.

Running special economic zones on a trial basis is an important component of the open-door policy. The CCP Central Committee proposed that, in the socialist modernization drive, we must utilize two kinds of resources -- domestic resources and foreign resources; open up two markets -- the domestic market and the international market; and learn two sets of skills -- the skill of organizing domestic construction and that of developing foreign relations. Running special economic zones on a trial basis is in line with this strategic thinking. It is imperative for us to further liquidate the erroneous ideas of closing the country to the outside world and refusing to make progress and conscientiously learn from foreign countries what is useful to us. Special economic zones have come into being as a special but also important component of the open-door policy.

The term "special economic zones" has currently been adopted in China alone. However, there are many instances in the world where a certain zone in a country or region has been marked off for the implementation of a more open policy in its economic relations with foreign countries, such as the preferential treatment of tax exemption or reduction, in order to absorb foreign funds, import advanced technology and achieve certain economic objectives. In order to differentiate economic zones from the export processing zones or free trade zones in other countries and regions and correctly reflect the nature and special features of our economic zones, the Guangdong and Fujian conference held in Guangzhou in March 1980 decided to change the name of "special export zones" to "special economic zones." Later, this was explicitly put into the "PRC's Regulations on the Special Economic Zones in Guangdong" adopted by the 15th Session of the 5th NPC Standing Committee. Thus, we have clearly announced to the whole world that we are running special economic zones and not political ones.

The "PRC's Regulations on Special Economic Zones in Guangdong Province" pointed out that the formation of special economic zones is "aimed at developing external economic cooperation and technical exchanges and promoting the socialist modernization program." This is a strategic objective for running special economic zones on a trial basis. By running special economic zones on a trial basis, we can considerably concentrate our efforts on absorbing foreign funds within the designated areas. This facilitates and strengthens our management of enterprises with foreign investment (including enterprises independently operated by foreign funds and those operated by Chinese-foreign joint ventures). The special zones will serve as an economic position and experimental base which adapt to and apply the laws of economic activities in the international market, observe the usual practices in international contacts, vigorously develop external economic relations and actively probe into problems relevant to the modernization program. Even if we commit some mistakes in our work, these mistakes will also be limited to a few localities and will not adversely affect the overall situation. That is to say, our fundamental objective in running special economic zones on a trial basis is not only to develop the economy of the special zones at a relatively quick tempo but, more importantly, by proceeding from the desire to promote the modernization program of our country, to make use of the special economic zones to directly observe and understand the development and changes of modern capitalism, learn technology and management experience from enterprises with foreign investment and experiment with various reforms, including the reforms of the economic system. We should bring into full play the roles of the special zones and find out what is universally applicable throughout the country in order to serve the modernization program. At the same time, running special economic zones is also of great significance to the work of reassuring the people of Hong Kong and Macao and the cause of promoting the return of Taiwan to the motherland.

The problems are: Is it advantageous or disadvantageous for the special economic zones to "let" foreign funds into the country? Is there a danger of the special economic zones turning into new colonies? We hold that colonies are the outcome of the imperialist gunboat policy and the law of the jungle practiced by the colonialists against the weak and small nations and countries. Colonies refer to some regions which are subjected to foreign aggression, have lost their sovereignty and independence and are completely ruled and dominated politically and economically by capitalist powers. Ours are special zones run on a trial basis under socialist conditions. This is an act which we perform as a sovereign state and which is an application of our sovereignty. We shall never permit them to be turned into new colonies.

People may also be worried that our special economic zones will become special zones of the capitalist countries and regions and will lose their socialist features. We hold that our special economic zones run on a trial basis are somewhat similar in form to, but are also essentially different from, the various types of export processing zones, duty free zones or free ports currently run in capitalist countries. Our special zones implement more special policies and adopt more flexible measures than the various localities in the country and provinces. However, this feature should also be based on observing the state Constitution and laws and this flexibility should also be based on upholding the principles and the fundamental policies of the party. Politically, the party organizations and government of the special zones must, without exception, uphold the four basic principles, carry out our country's external policy, consolidate the sacred border area of the motherland and safeguard our country's sovereignty and the socialist legal system; ideologically and culturally, they must consistently take Marxism-Leninism-Mao Zedong Thought as the guide, resolutely resist the corrosion of decadent bourgeois ideas and step up the building of socialist spiritual civilization; economically, they should be able to restrict foreign funds and regulate their activities though they account for a very great proportion. Obviously, this cannot be carried out on the prerequisite of unequal treaties, as was the case in the old China, but on the prerequisite that we are in possession of state sovereignty. Although the enterprises with foreign investment enjoy much favorable treatment within the scope of special economic zones, this should be confined within the limits of what is favorable to our socialist economic development and guarantee the legal operation and just profits of the enterprises with foreign investment. In administration and management the special zones are different from the hinterland, but that should enable the economic activities of the special zones to be carried out more conveniently and effectively and should be conducive to absorbing foreign funds. It should not damage our state sovereignty and territorial integrity. Naturally, the special economic zones are newly emerging things which are still in the process of experimenting. They are bound to constantly meet with new problems and even suffer a few setbacks. Therefore, we should not only carry out the experiment resolutely and boldly, but also do our work carefully and conscientiously.

#### GUANGDONG IMPROVES INDUSTRIAL PERFORMANCE

HK110357 Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT 10 Jul 82

[Summary] Industrial production in Guangdong continued to develop steadily in the first half of this year. The province fulfilled 50.3 percent of the year's plan, showing an increase of 11.9 percent over the same period last year. Heavy industry output rose by 7.8 percent, much faster than in the same period last year, when a 1 percent increase was recorded over the same period of 1980. Product quality has shown steady improvement. Enterprises have increased profits and labor productivity. All this is the result of concentrating efforts on improving economic returns.

"However, a number of problems also exist. The main ones are: There are serious stock-piles of certain products, due to poor quality, high prices, lack of demand and so on; input consumption remains rather high in some enterprises, and they have not reduced production costs; some enterprises do not have enough to do because of shortages of raw materials, fuel and power -- sometimes they are busy, and sometimes they come to a halt. As a result, economic returns in Guangdong's industrial production are still not good enough."

#### BRIEFS

NEW SHENZHEN MONTHLY -- Shenzhen, 19 Jun (XINHUA) -- The first issue of TE QU DANG DI SHENGHUO [3676 0575 8093 4104 3932 3172 PARTY LIFE IN SPECIAL ECONOMIC ZONES], a monthly sponsored by the Shenzhen Municipal CCP Committee in Guangdong, was published recently. The task of this monthly is to educate grassroots-level party organizations and the vast number of party members and cadres to strengthen party spirit, improve party style and observe party discipline and policy. [Beijing XINHUA Domestic Service in Chinese 1153 GMT 19 Jun 82 OW]

GUIZHOU MILITARY TO IMPROVE IDEOLOGICAL STYLE

HK051422 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 3 Jul 82

[Summary] "In order to improve the combat effectiveness of party organizations, the Guizhou Provincial Military District CCP Committee decided, effective 1 July to carry out rectification of ideological work style in CCP committees at and above regimental level." The provincial military district CCP committee has attached great importance to this and has held several meetings, urging subordinate CCP committees at all levels to strengthen leadership and encourage the masses to give their opinions to the party committees. It is necessary to implement the principle of proceeding from reality and seeking truth from facts and launch conscientious self-criticism. It is necessary to fulfill work and carry out rectification simultaneously.

"In order to do a good job of this rectification, the provincial military district recently held a district telephone conference. At the present stage, work has been shared by the CCP committees. Leading comrades will lead work teams to help work in various military subdistricts, Guiyang garrison, and other subordinate units at and above regimental level."

SICHUAN HOLDS MEETING ON MILITIA POLITICAL WORK

HK290357 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 29 Jun 82

[Text] The Sichuan Provincial CCP Committee Propaganda Department and the provincial military district political department held a conference on political work for the militia from 21 to 25 June. Leading comrades of the Chengdu PLA units, the provincial military district and the provincial CCP committee propaganda department attended and spoke. The meeting concentrated on summing up and exchanging achievements and experiences in political work for the militia since the 3d plenary session of the 11th Central Committee.

The conference held: An excellent situation has appeared in the province's militia work in the past 2 or more years, under the leadership of the Central Committee and the party committees and government at all levels and in the wake of political and economic developments. Notable success has been scored in political work for the militia. The political awareness of the militia in urban and rural areas throughout the province has been rapidly enhanced, and they have fully played their backbone and leading role in economic construction and the building of spiritual civilization.

Militia work must develop further in the new historical period, and political work for the militia can only be strengthened and cannot be weakened. The tasks in this work for a time to come are as follows: 1) strengthen leadership over political work for the militia; 2) organize the militia to continue to study in depth Marxism-Leninism-Mao Zedong Thought; 3) launch the socialist spiritual civilization drive among the militia and integrate it with the drive to create progressive units in putting militia work on a sound basis in three aspects, and guide the militia to establish the correct view of life and the world and socialist morals and customs; 4) continue to do a good job in inspecting and accepting the readjustment of the militia organizations and in political and ideological work while consolidating and enhancing these organizations; 5) put on a sound basis the systems of holding monthly political lessons for the militia and of education for the ordinary militia; 6) further strengthen the building of the full-time people's armed forces cadre force.

The meeting presented pennants and citations to 37 progressive units in grassroots militia political work, and issued a notice commending their advanced achievements.

SICHUAN MEETING DISCUSSES INDUSTRIAL ISSUES

HK060255 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 6 Jul 82

[Summary] The Sichuan Provincial People's Government held a telephone conference on 5 July to sum up industry and communications work in the first half of the year and make arrangements for the third quarter. The meeting called on the province to seriously study and solve new situations and problems that have arisen in production and work, and achieve a sound growth rate without padding, centered on improving economic returns. Vice Governor (Gu Jinshi) attended and spoke at the meeting.

After analyzing the state of production in the first half of the year, the meeting pointed out: "At present we must pay serious attention to the fact that certain products are not selling well. There are various reasons for this; for instance, we have not done well enough in opening up sales outlets and organizing supplies of industrial goods for the rural areas, while there have been changes in social purchasing power. However, the main reason is that some products do not meet people's needs and are expensive and of poor quality. There is not enough variety of such products and they cannot compete." In order to change this situation, it is necessary to get a good grasp of the following tasks in industrial and communications production in the third quarter:

1. Work hard to improve product quality, cut production costs, and ensure that products sell well and meet people's needs. "Whether quality can be improved and production costs reduced is an issue related to the development and even the existence of certain products and enterprises. It is also related to whether we can fulfill the year's financial revenue plan. All areas and trades must seriously organize a major quality inspection, and make full preparations for launching a 'quality month' drive in September." Appropriate measures must be taken to solve quality problems. While learning from Shanghai and the coastal areas, the province should also learn from progressive local enterprises. Units where there is high input consumption and serious waste must launch an antiwaste drive. "Units running at a loss are to be given a deadline for improving themselves."
2. Take full advantage of relatively ample energy supplies and relatively full order books to maintain the growth momentum of heavy industry. We must produce as much steel, rolled steel, cement, soda and mechanical and electrical equipment as possible, together with other products that sell well. Units producing electric-arc furnace steel, ferroalloys, batteries and other products with high electricity consumption should keep their machinery in full operation as much as possible. The province must get a good grasp of energy production, allocation and supply.
3. The industry and commerce departments must closely cooperate in organizing supplies of industrial products for the rural areas. Everything possible must be done to enliven sales work.
4. Do a good job in antiflood precautions, and reduce to the minimum the effects of hot weather and the rainy season on industrial production.
5. Do a good job in ideological and political work.

BRIEFS

GUIZHOU NATIONAL DEFENSE INDUSTRY -- Guizhou Province achieved relatively good results in economic returns in its national defense industry in the first half of this year. The province fulfilled 51.9 percent of the 1982 quota for the total value of output in the national defense industry in the first half of this year. The total value was 10.4 percent more than in the corresponding period of last year. Of this total value, the value of output of products for civilian use was 5 percent more than in the same period of last year. The third machine building bureau, the fourth machine building Bureau and the seventh machine building bureau fulfilled half of their quotas for 1982. [Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 6 Jul 82 HK]

DUAN JUNYI CALLS BEIJING ECONOMIC CRIMES MEETING

OW150335 Beijing XINHUA Domestic Service in Chinese 1325 GMT 14 Jul 82

[Text] Beijing, 14 Jul (XINHUA) -- To strengthen its leadership over the struggle against serious economic criminal activities and deepen this struggle, the Beijing CCP Committee recently decided that the first secretary and standing committee members of the committee are to share this work, with individual responsibility, and to personally grasp the examination and handling of a number of major or serious cases. The Beijing Municipal CCP Committee recently held two meetings of its standing committee members and on 13 July called a municipal meeting of party members and leading cadres, including the secretaries of various district, county and bureau party committees and leading party groups, to review and sum up the situation in the struggle against serious economic criminal activities and to make arrangements for deepening this struggle.

A leading comrade of the municipal party committee held: Initial results have been achieved in the struggle against economic criminal activities in the municipality, a large number of economic criminal cases have been brought to light and some of the major cases have been thoroughly investigated and handled or have been basically investigated. However, leading cadres in a few units, failing to pay sufficient attention to economic criminal activities, have yet to make vigorous efforts to deal them blows. In some units, where a slack mood prevails, the investigation and handling of major or serious cases have not progressed quickly enough. The municipal party committee stressed that there must be no slack mood in the struggle against criminal economic activities and that it is necessary to further raise people's understanding and take effective measures in this regard. Particular efforts should be made to investigate and handle major or serious cases in order to continue to deepen this struggle.

To effectively strengthen its leadership over this struggle, the Beijing Municipal CCP Committee decided that the principal responsible comrades of the municipal party committee and party committees at various levels throughout the municipality should personally grasp the examination and handling of major or serious cases and strive to achieve tangible results in the struggle within the next 2 months. The standing committee of the municipal party committee made a division of work, with individual responsibility, in handling major or serious cases as well as difficult and complicated cases in the municipality. The day after making a division of work, First Secretary of the municipal party committee Duan Junyi called a meeting of the personnel concerned. At the meeting, he heard briefings on the cases for which he was responsible. Second Secretary Jiao Ruoyu, Permanent Secretary Chen Xitong and other secretaries, as well as the standing committee members of the municipal party committee, also set about acquainting themselves with the cases for which they were responsible according to the division of work.

HEBEI INDUSTRIAL PRODUCTION VALUE INCREASES

HK150443 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 9 Jul 82

[Summary] The total value of Hebei's industrial output in the first half of this year was 11.278 billion yuan, a record for the period and an increase of 7.3 percent over the same period of last year. The light and textile industries maintained relatively high growth rate, with an increase of 8.6 percent over the same period last year. Heavy industry turned around from its decline, and recorded an increase of 6.2 percent over the same period last year. Output of coal and electric power showed increases of 6.4 percent and 3.9 percent respectively.

BO YIBO, HUO SHILIAN ATTEND TAIYUAN MEETING

OW090545 Beijing XINHUA Domestic Service in Chinese 1641 GMT 5 Jul 82

[Text] Taiyuan, 5 Jul (XINHUA) -- The work conference of five north China provinces, municipalities and autonomous regions [Hebei, Shanxi, Beijing, Tianjin and Nei Monggol] on the collection of party historical data was held in Taiyuan on the morning of 5 July.

More than 20 veteran comrades, including Bo Yibo and Cheng Zihua, attended the conference by invitation. Bo Yibo addressed the meeting on matters concerning the collection of party historical data.

He said: In order to collect and study party historical data, we should first ascertain facts and then seek truth from facts. We should do a good job in collecting complete and accurate data. Today, there are not many people left with comprehensive knowledge of our party history. We should rush to gather source material from those veteran comrades while they are still alive. Party historical data belong to the whole party. Let us all, including the comrades who are not here, look back together to do successful work in collecting party historical data.

Xie Xiaonai, vice chairman of the Commission for Collecting Party Historical Data of the CCP Central Committee, pointed out in his speech: The primary tasks at this conference are:

1. To exchange information and experience on the party historical data collection;
2. To develop cooperation between provinces and among various organizations in the study and compilation of the party history of the CCP north Chinabureau and the Shanxi-Suiyuan, Hebei-Shandong-Henan and Shanxi-Chahar-Hebei base areas; and
3. To conduct investigations and interviews in order to gather party historical data and clarify relevant questions.

Luo Guobo, second secretary of the Shanxi provincial party committee, governor of Shanxi and leader of the Shanxi provincial leading group for the study of party history, presided over today's meeting. Huo Shilian, first secretary of the Shanxi provincial party committee, attended the meeting.

Also attending the meeting, by invitation, were leading comrades and party historians of the five north China provinces, municipalities and autonomous region, and the comrades of the party historical data collection committees of the Military Commission of the CCP Central Committee, the Beijing PLA units and Henan, Shandong, Jiangsu and Liaoning Provinces.

#### SHANXI RIBAO URGES LEARNING FROM UNITED SCHOOLS

HK091452 Taiyuan SHANXI RIBAO in Chinese 29 Jun 82 pp 1, 4

[Editorial: "Popularize the Experience of Running United Schools, Make a New Breakthrough in Building Spiritual Civilization"]

[Text] Just at the time when the people all over the province are responding to the call of the CCP Central Committee and are groping for a way to profoundly and continuously build up socialist spiritual civilization, the establishment of the united school in Qinhe commune, Huairen County, has provided us with a concrete way for fulfilling this task. Great importance was attached to the experience of this school at the provincial meeting for exchanging experience in carrying out political education among militiamen. The propaganda department of the provincial CCP committee and the political department of the provincial PLA command decided to study and popularize the experience of the united school in Qinhe commune throughout the province and called on all areas and departments to do their ideological and political work satisfactorily among the militiamen, youths, women and all other people in a relevant manner in light of the actual present conditions in the rural areas and by referring to the methods that have been adopted in Huairen County in running united schools.

The united school that Qinhe commune has established is a comprehensive school with the party branch as its leadership, the CCP and CYL members as its backbone, militiamen as the main source for its students and joint management as its major special feature.

It is a school established by various organizations through coordinated joint efforts to meet the demand of the masses of the people for understanding the party's policies, studying science and technology, enlivening cultural lives and achieving the common goal of building up socialist spiritual civilization. It is the cultural center of the production brigade and the stronghold for carrying out education in communist ideology. The emergence of this form of education has provided us with fresh experience in making the building of socialist spiritual civilization at the rural grassroots a systematic and regular practice.

In order to study and popularize the experience of the commune united school, we should first study the historical conditions that gave rise to it, inquire into the major reasons why it has been well-accepted by the peasants and analyze the major experiences in its success.

The experience of the united school is the natural result of the continuous development of the fine rural situation since the 3d Plenary Session of the 11th CCP Central Committee. Since this session, the party has implemented a series of policies in the rural areas to enliven the economy and has established various forms of the agricultural production responsibility system to give play to the initiative of the broad masses of commune members, and thus it has brought about an unprecedently fine situation there. Three kinds of unprecedented initiatives have emerged among the broad masses of commune members. First, they have the initiative to promptly understand the party's various rural principles and policies in order to make their own actions and words conform to the socialist principles. The masses of people at present are much more concerned with the continuity of the party's principles and policies and much more concerned with adhering to the party's leadership and the socialist road than at any time previously. Second, because of their strong desire to make the state, collective and individuals rich, the broad masses of people have raised an urgent demand for studying scientific and technical knowledge. Third, along with the development of production and the improvement of their livelihood, the broad masses of people have increasingly raised their demand for enjoying decent, healthy and diversified cultural lives. With their heightened political sensitivity, the Ginwe commune CCP committee, the Huairen County CCP Committee and Militia Department, the Yanbei Prefectural CCP Committee and the Yanbei PLA Subcommand CCP Committee have profoundly understood the demand of the masses of people through investigations and study and grasped the key to the problems. They have adroitly guided action according to circumstances by means of carrying out experiments at the Quingshui River Brigade to serve as a typical example to guide all, and have succeeded in charting a path in making the construction of spiritual civilization systematic and regular. Once in blossom, this flower of the building of spiritual civilization immediately showed its great vitality and was soon popularized in more than 1,800 brigades in Yanbei Prefecture.

The experience of the united school has vividly embodied the CCP Central Committee's strategic idea of "grasping the two civilizations at the same time." Not all comrades understand the dialectic relationship between material civilization and spiritual civilization. Some academic problems concerning these relationships are still being discussed. By its lively and diversified practice, the united school has convinced people of the mutually dependent and interacting close relationship between the building of the two civilizations. The Quinhe commune united school's half-year activities have achieved the following results: It has put an end to the unhealthy practices of gambling, pilfering and superstition. It has consolidated the peasants' belief in the policy of enlivening the economy. It has reformed sluggards and gamblers, readjusted the relations between the people and further emancipated the productive force. It has enriched the peasants' cultural lives during their spare time and inspired communist feelings and morals among the people. Moreover, it has popularized agricultural science and technology and thus has created conditions for increasing production. All the above-mentioned achievements in building spiritual civilization have eloquently proved that the CCP Central Committee's guiding ideology of "grasping the two civilizations at the same time" conforms to reality and is very correct and that the construction of a powerful modern socialist country can never be divorced from the building of the spiritual civilization; otherwise, the building of the material civilization will suffer delays or even go astray. This is a truth that has been proved by repeated practice in the united school.

One of the experiences of the united school is "joint efforts." In building up spiritual civilization we are faced with very complicated social contradictions. Solving these contradictions is the common task of the party organizations, the mass bodies, the government organizations and the economic organizations. However, because of the complexity of the task no one of these organizations alone is capable of taking on this major task that concerns the whole situation. On the other hand, in order to fulfill their own duties the members of the society have raised diversified requirements which have become even more specific because of the differences in their professions, sex and age. What is more important is that along with the further perfection of the responsibility system and the further development of the diversified economy, the masses' demand for diversification will become even more prominent. Joint efforts are necessary to solve the complicated social contradictions and meet the diversified demands of the masses. Running the school by joint efforts has satisfied the demand for diversification and has solved the major problem concerning the whole situation that one organization is not capable of solving alone. The decisive conditions for solving the problem of running the school by joint efforts are the firm leadership of the party branch, giving full play to the principal role of the militia by the party leadership and giving full play to the special role of mass bodies, government organizations and economic organizations under the premise of making joint efforts. After they have begun to make joint efforts, all activities of the specific departments will be serving the grand goal of realizing the building of socialist spiritual civilization. Thus we will be able to solve the problem of whom we should rely on and the problem of contending for more attention which will arise during the course of and after the establishment of the united schools.

Another important experience is that the reason why the united school has such strong vitality is because it is run with full democratic spirit. Faced with the existing malpractices in society, the peasants on the one hand feel indignant and demand the correction of the unhealthy practices, and on the other hand find that they are powerless to achieve this by making individual efforts. The united school grasped the peasants' common demand for carrying out comprehensive correction and rectification of the malpractices in society. It changed the old educational method of everybody taking care not to commit malpractices and the organizations taking care to correct the malpractices and adopted the method of everybody being both the master and the servant of the socialist society. Thus public matters are run by everybody and everybody's ability of management, especially the backbone and leading role of militiamen and youths, is brought into play. The wisdom and abilities of all are brought into play and continuously developed. All this democratic spirit has permeated all aspects of the management of the united school. As a result, the masses of the people treat the running of the united school as their personal matter and the united school, therefore, has struck roots in the hearts of the masses of people. When the roots grow deep, the leaves will grow luxuriantly. As long as the united school adheres to its democratic spirit, there will be no end to its prospects.

The universal popularization of the experience of the united school will open up new prospects in making the building of the socialist spiritual civilization in our province a systematic and regular practice. We should conscientiously study and propagate the Qinhe commune CCP committee's guiding ideology of "grasping the two civilizations at the same time," study and propagate its good experience in establishing the joint school to comprehensively rectify the party work style and the general mood of the people, study and propagate the diversified activities that the school has organized in light of the actual conditions and in accordance with the masses' demand for diversified spiritual lives, study and propagate its fine work style of believing in and relying on the masses of the people and study and propagate the good methods by which the commune CCP committee has done satisfactory ideological and political work together with all coordinating mass organizations.

The experience of Yanbei Prefecture in popularizing the united school has proved that not only rich brigades but also poor ones can establish joint schools. As long as there is a strong party branch, as long as the party branch gives full play to the principal role of the militiamen and as long as it arranges the educational and cultural activities in accordance with the demand and desire of the masses of people, the difficulties related to places and facilities of activities will be easily overcome. In studying and popularizing the experience of the united school, all areas must persist in proceeding from reality. They should divide the brigades into various categories in light of the local conditions and give guidance respectively. They should run the schools in a thrifty manner and pay attention to actual effect. They should never practice formalism or seek uniformity.

#### BRIEFS

NEI MONGGOL FARM MACHINERY -- Hohhot, 25 Jun (XINHUA) -- Since the beginning of this year farm machinery has been selling well in Nei Monggol. At a 15-day trade fair for farm machinery held recently in Hohhot, total sales reached 3.3 million yuan, 5 times more than the expected amount. Among the items that sold well were small tractors, small water pumps, wind-driven generators and other means of production for agriculture and animal husbandry. According to the statistics of the Nei Monggol Autonomous Regional Farm Machinery Supply Company, the total sales of farm machinery in Nei Monggol in the first quarter of this year amounted to 22.95 million yuan, an increase of nearly 50 percent over the corresponding period in 1981. [Beijing XINHUA Domestic Service in Chinese 0146 GMT 25 Jun 82 OW].

TIANJIN INDUSTRIAL OUTPUT -- Tianjin, 6 Jul (XINHUA) -- Tianjin, the largest manufacturing city in north China, recorded an industrial output value of 10,554 million yuan in the first half of 1982, 7.2 percent more than during the same period in 1981, according to the municipal statistical bureau. The figure meets 50.2 percent of the annual target, the bureau said, an increase achieved despite water and energy shortages. Heavy industrial production has begun to rise after a period of decline. The city's value of heavy industrial output came to 4,416 million yuan in the January-to-June period, an increase of 6.8 percent over the corresponding period in 1981, the bureau said. Output value of light industry totaled 6,138 million yuan, accounting for 58 percent of the total. [Beijing XINHUA in English 1201 GMT 6 Jul 82 OW]

FOREIGN MINISTER ON PRC AIMS, U.S., FOREIGN TIES

OW141440 Taipei CNA in English 1404 GMT 14 Jul 82

[Text] Taipei, July 14 (CNA) -- Foreign Minister Chu Fu-sung Tuesday restated that the Republic of China will never change its basic anti-communist national policy.

Reporting on this nation's foreign affairs to the 12th national development seminar, Minister Chu assured the participants that the Chinese Government will adhere to the stand of no talks and no compromise with the Chinese Communists and oppose the idea of two Chinas.

The Chinese Communists have recently launched a peaceful appearing series of "united front" tactics which aim to stop the United States selling weaponry to this nation, the minister pointed out. He said he believes that the United States Government will not change its policy of continuing to sell defensive weapons to the Republic of China and to maintain good relations with this nation in accordance with the Taiwan Relations Act.

As one of the urgent tasks in foreign affairs, the government will do its best to further upgrade relations with those countries that have no diplomatic ties with this nation, the minister said, adding, through joint efforts by the government and the people, relations with member countries in the association of Southeast Asian Nations and West European nations have grown considerably. Now 14 Chinese representative offices have been set up in Western Europe, and eight European nations have established 10 liaison offices in this country, the minister said.

Answering questions from the attendees, Minister Chu said his ministry has worked out a plan to enhance its foreign affairs mission with emphasis centering on research and planning for diplomacy and a united command for diplomatic missions stations abroad.

Based on the principles of reciprocity and equality in pushing ahead on foreign affairs, the Republic of China has proved itself to the world to be a nation full of strength and vitality.

The ROC's strong national defense posture and strategic importance have also been affirmed, Minister Chu concluded.

POST HAILS U.S. CONSERVATIVES' TAIWAN STAND

OW140547 Taipei CHINA POST in English 10 Jul 82 p 4

[Editorial: "Declaration of U.S. Conservative Organizations"]

[Text] According to a CNA dispatch from Washington, D.C., dated July 8, a group of leading conservative organizations in the United States issued a joint declaration at a press conference urging President Ronald Reagan to maintain the Taiwan Relations Act and reject any suggestion for terminating arms sales to the Republic of China.

The joint declaration, signed by 28 conservative groups and leaders, said that a policy statement under consideration at the White House would have the United States renounce long-term arms sales to Taiwan and eventually terminate them. The declaration said that such a move would be "an inexcusable and total sell-out of Taiwan." Several major conservative organizations threatened a "vicious political backlash" Thursday if President Reagan decides to end arms sales to the Republic of China.

It was reported that the new policy was proposed by former Secretary of State Alexander M. Haig, Jr., who presented to President Reagan a draft of a joint communique to be released by Washington and Peiping. This proposed joint communique has often been referred to as Shanghai Communique II. Mr. Garry Jarmin of the American Council for Free Asia warned that "if Reagan agrees to any form of the proposed policy, there is going to be such a vicious political backlash that is going to leave his head swimming."

Mr. Paul Weyrich of the Coalition for America, commenting on the declaration, said that Reagan risks losing the support of the conservative coalition that helped elect him. He said White House and State Department officials have "badly underestimated the temperature of the President's coalition." He added that conservatives throughout the country are "extremely disturbed" by the possibility of ending U.S. arms sales to Taiwan. Andy Messing of the conservative caucus said it would be "the worst kind of political adultery" for the United States to abandon Taiwan.

The conservatives blame Vice President George Bush for causing all the fuss on the U.S. arms sales issue by reporting to President Reagan all the unreasonable demands of the Peiping regime. They recalled that President Reagan's most consistent position during the campaign was continued support of Taiwan. They said: "Unfortunately, we have watched as this administration has carried out the policies established by Alexander Haig to abandon Taiwan -- the very same policies President Reagan campaigned against."

The conservatives also noted that "under President Carter, Taiwan received twice as much military sales as it has during the same tenure of the Reagan administration. This administration has also rejected or delayed the sale of every weapon system requested by the ROC including the FX fighter."

The joint statement should open the eyes of President Reagan and other administration officials to the kind of sinister plot framed by his secretary of state in collusion with the Peiping regime to sell the Republic of China down the river. We have often warned against such betrayal in these columns. It turned out that Haig was not only betraying the Republic of China's vital interests but also the vital principles of his boss, President Reagan.

It is indeed fortunate that Haig has departed from the State Department as of last Monday and can no longer exert his influence in favor of the Peiping regime. Otherwise, the damage he would continue to do would be inestimably dangerous.

We hope that President Reagan will recognize this dangerous situation existing in the State Department for what it is and adopt necessary measures to rectify it. He should resolutely uphold the Taiwan Relations Act and reject all proposals favoring the Peiping regime at the expense of the Republic of China. He would do well to realize that in the end, the Republic of China on Taiwan remains the true friend of the United States. Strategically, it commands the approaches to the Taiwan Straits and the basic channel and helps safeguard the security and peace of the Asian Pacific region. He should not be intimidated by the Chinese Communists but should call their bluff of downgrading their relations with the United States more than it needs them.

'TAIWAN INDEPENDENCE LEAGUE' DENOUNCED

OW150209 Taipei CHUNG YANG JIH PAO in Chinese 10 Jul 82 p 1

[Editorial: "Love the Country and Native Place, Smash the Splitist Attempt by the 'Taiwan Independence League'?"]

[Text] In his recent statement to reporters, a ranking official of the Executive Yuan pointed out: The "Taiwan Independence League," now operating in the United States, has always called for a change in the state system of the Republic of China by illegal

means and has carried out various subversive, sabotage activities against the country at home and abroad. It was branded by the Californian Justice Department in June 1981 as a terrorist group. In the trial of cases involving the Kaohsiung incident, the "Taiwan Independence League" was condemned as a rebellious organization. The "World Federation of Formosan Clubs" has come under the control of a few members of the "Taiwan Independence League." For this reason, public officials of the Republic of China should, of course, not attend the annual meeting of the "World Federation of Formosan Clubs" controlled by a few members of the "Taiwan Independence League."

The explanation of the government position on this matter was made on 27 June in a reply to an interpellation from Kuo Jung-tsung and five other members of the Legislative Yuan. However, some people might misunderstand this explanation or say that the above reply was not quite the same as that given by Premier Sun at the Legislative Yuan to an interpellation from Legislator Chung Jung-chi. This is why the ranking official of the Executive Yuan made this statement to reporters by quoting the conclusion of Premier Sun's reply to the interpellation in order to clear up this misunderstanding. He also restated the government's basic stand and policy on this matter.

The government's stand is clearcut: Those groups which have issued pro-Chinese Communist statements or have advocated changing the state system of the Republic of China and have carried out various subversive, sabotage activities should, of course, be regarded as rebellious groups according to law. Except for those groups, the government treats equally, without discrimination, all individual Overseas Chinese and organizations that love the country and support the government's basic national policy. The government hopes that they will cooperate and unite with one another and love the country and their native place. In fact, the overwhelming majority of Taiwan compatriots residing abroad love the country and native place, and the government keeps in contact with them and serves them in various aspects. The government naturally does not regard them as peripheral organizations of the "Taiwan Independence League." As for a few groups controlled by rebellious elements of the "Taiwan Independence League," the government hopes that compatriots at home and abroad make a clean break with them and will not be used by them. The replies by Premier Sun and the Executive Yuan to interpellations from legislators were published in various newspapers, which are available for reference. The rumor that the two replies are not quite the same is either an inadvertent misunderstanding or a deliberate distortion of the replies. We want to further expose here the activities of the "Taiwan Independence League" in deceiving and roping in some people at home and abroad and in whipping up antagonism by dividing people, so that we can heighten the vigilance of our compatriots at home and abroad.

Today, the "Taiwan independence" groups and their activities are actually supported and controlled by Chinese Communist organs and underground organizations in foreign countries. In using a handful of people to engage in "Taiwan independence" activities, the Communist bandits attempt to create various misconceptions and illusions in the international arena and to sabotage our relations with free countries. At the same time, they also attempt to engage in splittist, sabotage activities from within; in the name of democracy and freedom, they attempt to create confusion by resorting to violence and to achieve their purpose of overthrowing the government. This is the Communist bandits' cunning scheme of killing two birds with one stone.

Making a clear distinction between right and wrong, our compatriots at home and abroad have got a clear understanding of the "Taiwan Independence League's" intentions. At the same time, creating confusion by resorting to violence, the "Taiwan Independence League" has aroused indignation among the public. As a result, the "Taiwan Independence League" has been dealt heavy blows, and its activities, at home and abroad, have waned with each passing day.

In order to increase their influence, members of the "Taiwan Independence League" try, by hook or crook, to rope in personages at home and abroad who are of use to them, to get them to attend their activities in the guise of annual meetings or forums, and to fool Overseas Chinese, who are unaware of the truth about them, into doing so too. Once one attends such activities, one plays into their hands. Such annual meetings and forums are controlled by members of the "Taiwan Independence League" and conducted according to their patterns, and no one is allowed to air differing opinions, even if he wants to. Then, they use one person as propaganda material to fool other people. If one does so, one actually helps to the "Taiwan Independence League" indirectly and this will inevitably affect one's personal reputation. On this matter, the government has clearly pointed out that public officials of the Republic of China should not attend any meetings controlled by members of the "Taiwan Independence League." This is aimed at enabling up to make a clean break with the rebellious organization of the "Taiwan Independence League" and at protecting those plan to attend meetings held and controlled by it, unaware of the truth about this rebellious organization. A man of noble character loves people with good intentions. It is in this sense that the Executive Yuan quickly and openly made an unequivocal statement on this matter.

When their violent activities are spurned by the people at home, a handful of "Taiwan Independence" elements abroad can only seize opportunities to whip up antagonism and sow dissent among the united people. This is also precisely the objective of the communist bandits, our enemies, who are trying, by hook or by crook, to achieve this by resorting to their united front tactics. We have for years made tremendous progress in implementing the democratic constitutional system. However, those who are bent on sabotaging that system negate all such progress. They distort and even denounce as wrong what the government and public opinion consider to be right. They are hypercritical of, or denounce, all laws, regulations and measures which are conducive to consolidating social tranquility and strengthening the country in an attempt to have them rescinded to make it impossible to implement them. We would urge everyone to pay attention to this worrisome phenomenon, to have a clear understanding of the situation facing our country and to see clearly the splittist and sabotage attempts of the Communist bandits and the "Taiwan Independence League." In doing everything, we should take the overall interests of the country and nation into account and should not intentionally or unintentionally be used by our enemies.

President Chiang pointed out: There is only the China issue today; the so-called "Taiwan independence" question is actually nonexistent. The so-called "Taiwan independence" question is created by the Communist bandits, using a handful of ignorant, ambitious elements. As a matter of fact, all sabotage activities by the "Taiwan independence League" are now coordinated with the Communist bandits' united front activities. We hope that all compatriots at home and abroad will clearly understand this basic fact and, in the spirit of love for the country and our native place, and people in the same boat sharing the same fate, strengthen their unity and redouble their efforts to smash the enemies' splittist and sabotage attempts and open up a bright future for the country.

#### LIEN HO PAO ON NONPARTY PERSONAGES' U.S. VISIT

OW091227 Taipei LIEN HO PAO in Chinese 28 Jun 82 p 2

[Article by LIEN HO PAO reporter Chen Kuo-hsiang: "Be Messengers of Harmony and Unity of the People -- On the Visits Abroad by Nonparty Members of the Legislative Yuan and the Control Yuan"]

[Text] Kang Ning-hsiang, Chang Te-ming and Huang Huang-hsiung, members of the Legislative Yuan; and Yu Ching, a member of the Control Yuan, will leave at noon tomorrow for the United States on a 1-month visit. On the way, they will also visit Japan for 1 week.

This is the first time that nonparty political figures have formally organized a group to visit foreign countries. Therefore, their visit has aroused widespread attention among people at home and abroad.

Their trip is attracting public attention primarily because it has five latent functions:

1. To promote ROC-U.S. relations: In the last 6 months, the Reagan administration has made one concession after another to the Chinese Communists' pressure, delaying the decision on our request for arms purchases and even openly welcoming the Chinese Communists' "nine-point proposal on peaceful reunification." Recently there have also been ominous signals about "Shanghai Communique No 2" and revision of the "Taiwan Relations Act." Our government and our officials in the United States are making joint efforts to prevent these things from happening. However, as ROC-U.S. relations are unofficial in nature and the channel of communications between the two countries is blocked to a great extent, it is not easy to convey our aspirations to the U.S. Government.

Because of their status as legislators, the four nonparty personages will not be subject to the restrictions imposed by unofficial relations. It is likely to be relatively easy for them to get in touch with American officials handling China affairs and to express the aspirations of our 18 million people with regard to our defense needs and the question of reunification. Perhaps American officials, members of Congress, scholars, experts and the mass media will think highly of our nonparty legislators.

2. To establish ties with Overseas Chinese: In the past, our government's diplomatic activities in the United States were generally focused on pro-ROC American officials, members of Congress, and scholars of Chinese descent and Overseas Chinese organizations. The government has not obtained widespread support from those Taiwanese scholars and Overseas Chinese, who are less friendly to the ROC, either because the government had less desire to win their support or because objective conditions prevented them from winning it. Nevertheless, they have considerable influence on U.S. Government decisions on the Taiwan question. Therefore, the departments concerned have recently begun to think about winning more people over. Because the nonparty central legislators are not in office and they are actually promoting the movement for democracy, it is more likely for their image to be accepted by some Overseas Chinese and scholars who are less friendly to the government. Because their views on the present situation of Taiwan are comparatively close to the views of those Overseas Chinese and scholars, it is easier for them to promote harmonious relations between the Overseas Chinese and the people at home.

3. To raise the level of activities of nonparty personages: In the past, the nonparty political figures' activities were primarily related to elections, legislative assemblies and publishing journals. Their political participation was confined to domestic politics and local matters. They were less concerned about the plight and overall interests of the country and took less part in foreign affairs.

During the visit to the United States, the four nonparty central legislators will inevitably come into wide contact with American officials, members of Congress, China experts and journalists. They will make the Americans aware of the Taiwan people's aspirations. In this way, they will actively help the substantive relations between the ROC and the United States.

4. To prove the value of nonparty personages: The nonparty political force has become a substantial factor in Taiwan's political system. In the past, it has played a positive role of construction on the one hand and a negative role of interference on the other. Among the people, some completely affirm the existing value of the nonparty force, others partially affirm it and still others completely negate it. In recent years, the nonparty personages have made every attempt to prove to the society that they are moderate and rational and they only hope to undertake democratic reform within the framework of existing

system. They have displayed some positive results. Nevertheless, many people still have doubts about their social functions or assume a negative attitude toward them. If they can fully exercise their influence and promote the substantive relations between our country and the United States during their visit there, they will prove to society that they can actively contribute to Taiwan's overall interests.

5. To bring back reform suggestions: In the last decade, the government paid considerable attention to Overseas Chinese opinions on national affairs. It has constantly invited overseas scholars to meetings and asked them to contribute their wisdom. The departments concerned and local leaders often visit foreign countries to collect suggestions from Overseas Chinese on our government's reforms. However, their contacts are not wide enough and the suggestions collected are not yet sufficient, due to restrictions imposed by objective and subjective conditions. Because of the special status of the four nonparty personages and the greater freedom they enjoy in comparison with government officials, they can contact those whom government officials cannot contact and they can hear reform suggestions that government officials cannot hear.

Perhaps the four nonparty personages' visit to foreign countries can yield some good results, but the whole society and they themselves also have to assume some risks. If they act properly, the whole society and they themselves will reap benefits. If they do not act properly, the whole society and they themselves will suffer the consequences.

The first risk is that of security. During their stay in the United States, they inevitably will come into contact with some sensitive organizations and sensitive persons, particularly those who are questionable with regard to security clearances. Their attitude toward this question is that they will not take the initiative to contact sensitive organizations and questionable persons, but they will not intentionally evade those persons if they come across them in public.

They told a government leader: "During our visit to foreign countries, we inevitably will come into contact with some fellow provincials. Recently Premier Sun said, in reply to inquiries by some Legislative Yuan members, that the government does not regard the association of fellow provincials of Taiwan as the Taiwan independence movement or its front organization. We thank Premier Sun for opening a road for us." The government leader reiterated Premier Sun's word and emphasized that the government does not regard any organization or person who loves our country and supports our fundamental national policy as the "Taiwan independence movement."

In addition, there may be the risk of damaging the government image. The four persons stressed that during their visit to the United States, they would not express opinions on the issues of arms sales and reunification different from those of the ruling party and that they would be willing to work for the national interest as a whole. On the questions of democracy and human rights, however, their opinions apparently are still somewhat different from those of the ruling party. If they are overcritical of the government and the situation in democracy and human rights, it will obviously affect the image of the government and the ruling party.

Legislator Chang Te-ming emphasized that they would uphold this principle: To portray the complete and correct image of Taiwan and not to vilify or beautify it in order to let people in other countries have a true impression of Taiwan.

It is undeniable that they are "moderates" and that there is some difference between them and their "fellow provincials" abroad and some other nonparty personages at home as far as their attitudes toward the current situation and the question of democracy on Taiwan and the intensity of their criticism is concerned. The statements they are going to make abroad and the critical intensity of such statements will fall short of a few radicals' expectations. Thus, they may have to take the risk that their statements may or may not be regarded as "representative."

Furthermore, they are able to make this trip to the United States mainly because they have always taken a mild and moderate attitude. Shortly before their departure, they also exchanged views in a positive manner with important party and government officials. For this reason, a few radicals have already begun to doubt their "loyalty." The attitude they take on this question is that "these accounts will have to be settled after their return to the country."

To successfully achieve the aims of their visit, they have made full preparations during the past month, such as collecting relevant materials, holding discussions with scholars and experts with profound knowledge of U.S. foreign policy, preparing and rehearsing their speeches.

They stressed that nonparty forces are a social resource and part of the national strength. Their visit to the United States will put this social resource to use and bring national strength into play. Their visit to the United States is essentially the same as those made by other central legislators. In addition, as far as Taiwan's interests as a whole are concerned, the views of nonparty personages are identical with those of the ruling party. They will try in every way possible to state such identical views in the common interest of the 18 million people. They particularly want to express the basic aspirations of the Taiwan people in cherishing their present way of life and orientation of pursuing values.

They hold that in its contacts with the Chinese Communists, the United States has ignored the aspirations of the Taiwanese people and has even acknowledged the Chinese Communists' so-called principle of "the inviolability of China's sovereignty and territorial integrity." To overcome such a situation, they will stress that "human rights" go beyond national boundaries and transcend the issue of sovereignty and territory and that the true aspirations of the Taiwanese people, the most important connotation of "human rights," must be fully respected, must brook no distortion and must not be trampled underfoot by the Chinese Communists on the pretext of the principle of the integrity of territorial sovereignty.

The four nonparty central legislators have now organized themselves into a group to visit the United States, which has aroused high expectations among people in various circles. This may be said to be a great political breakthrough at home. Here we like to raise the following expectations:

1. As far as the ruling party is concerned, it should, from now on, strengthen civil groups' self-governing functions and promote the natural growth of a plural social structure in order to achieve plural unity at home and to put such unity to use abroad. It should allow civil groups to share the government's responsibilities in order to achieve substantial results in people-to-people diplomacy.
2. As far as the four nonparty central legislators who are going to visit the United States are concerned, they should fully interpret the connotation of "the interests of the whole" and work to improve not only Taiwan's diplomatic relations but its international image as well.
3. As far as nonparty personages are concerned, they should raise their political level and expand the scope of their struggle. Toward the visits by nonparty personages to foreign countries, we may adopt an attitude expressed by Chen Yang-te, member of the National Assembly, on this matter: "We support all actions taken in the common interest of the 18 million people."

I. 15 Jul 82

C H I N A  
HONG KONG MEDIA ON CHINA

W 1

TA KUNG PAO HITS SHULTZ STATEMENTS ON TAIWAN

HK150338 Hong Kong TA KUNG PAO in Chinese 15 Jul 82 p 2

["Political Talk" column by Shih Chun-yu [2457 0689 3768]: "Shultz Utters Absurdities Even Before Taking Office"]

[Text] People From California Are in Control of the White House in Both Internal and External Affairs

In his confirmation hearings in the Senate Foreign Relations Committee over the past 2 days, U.S. Secretary of State-designate George Shultz has talked about his general ideas on U.S. foreign policy and his views on certain individual issues.

It is said that, because of the current turbulent international situation, the Senate Foreign Relations Committee holds that it is undesirable for the post of secretary of state to remain vacant for long and will therefore approve his new appointment very quickly.

What is referred to as a confirmation hearing is nothing but an act of going through the motions. This is because Shultz was originally a likely secretary of state when U.S. President Reagan was sworn into office. Later, it was only for the purpose of roping in the financial group in the east that Reagan let Haig take charge of the State Department.

Shultz comes from the Bechtel Group, Inc, California, United States. He originally belonged to this corporation along with Defense Secretary Caspar Weinberger and Deputy Secretary of Energy W. Kenneth Davis. Henceforth, people from California will assume control in the White House in both internal and external affairs.

Shultz Again Mentions "Taiwan Relations Act"

Shultz's remarks on Sino-American relations show that he is indeed a "Reaganite."

On the one hand, he said that it is necessary to develop normal Sino-American relations, and on the other hand he said that it is necessary to carry out the "Taiwan Relations Act." He even went so far as to propose that Reagan immediately supply Taiwan with new fighter aircraft.

The latter opinion was never expressed in such a manner when Haig was secretary of state. Now a new secretary of state-designate has expressed it.

As a matter of fact, this is also the view of the people whom Reagan assigned to the White House. The "Reaganites" within and without the White House tend to work in concert with one another.

News has it that the U.S. State Department under Haig had drafted a plan on Sino-American relations which was delivered to the White House, and that recently Reagan returned it to the State Department for rediscussion. However, it will be left for the State Department under Shultz for reconsideration.

**The Word "Basically" Is an Absurd Expression**

In his speech Shultz acknowledged the fact that both Beijing and Taipei agree that there is only one China and hold that reunification is necessary, but they hold different opinions on how to achieve the reunification.

However, he went on to express a specious argument which carries something behind it. He said: We consider that "the solution of this issue basically depends on the Chinese."

There is such an absurd idea in the world. If China's problem can only "basically" depend on the Chinese, does it not mean that there is still some leeway for other people to interfere and even mean that it is also necessary to obey the order of the U.S. overlord?

Consequently, Shultz uttered two remarks which were scathingly denounced by China long ago. One was that the United States wants to "make sure that the problem will be solved by peaceful means" and another was that it is necessary to supply Taiwan with weapons according to the "Taiwan Relations Act."

**Echoing Goldwater**

In recent years Shultz has been to Taiwan on many occasions. On learning that Haig had resigned and that Shultz would succeed him Taiwan gave verbal vent to its excitement.

Since Bush's visit to Beijing, China and the United States have been holding talks on the question of U.S. Taiwan policy. It is obvious that Shultz' speech in Congress on this occasion does not contribute to the Sino-American talks.

We pointed out the day before yesterday that the remarks of U.S. Consul General Burton Levin on the prospects of Sino-American talks at the Hong Kong Rotary Club seemed to be deviating from the current actual developments. It seems that we were not mistaken in our comment.

The adverse current in the United States pointed out by Beijing over the past week has actually emerged in the U.S. Senate Foreign Relations Committee. Shultz echoing of the reactionary Senator Goldwater during the hearing was in fact a great revelation.

**DENG XIAOPING CITED ON FUTURE OF HONG KONG**

HK021112 Hong Kong PAI HSING in Chinese No 27, 1 Jul 82 pp 60, 61

[Feature by PAI HSING correspondent: "Deng Xiaoping Expresses His Views on 1997" -- written on 24 June, the eve of the Dragon Boat Festival]

[Text] The question of 1997 was finally put on the agenda of the CCP Central Committee. On 15 June Deng Xiaoping met in the Great Hall of the People in Beijing with 12 representatives of the leftwing sectors in Hong Kong and Macao. They were asked to express their views on the status of Hong Kong and give suggestions.

During the meeting, Deng Xiaoping put forth one principle. It was that shortly before or after 1997, China will regain sovereignty over Hong Kong and will devise a workable method for maintaining stability and prosperity in Hong Kong, enabling this free port to continue to give full play to its role.

Some people said that this proposal of Deng's is of no new significance because China has never recognized the treaty of Nanjing, the treaty of Beijing and the Sino-British special treaty on development of Hong Kong (meaning the New Territories). When the United Nations discussed the question of colonies, China immediately claimed that it has sovereignty over Hong Kong and as a result, Hong Kong was excluded from the list of colonies. From then on, the countries throughout the world gave tacit consent to the fact that China has sovereignty over Hong Kong.

#### The Words "Regain Sovereignty" Bear a Hundredweight

Despite the objective facts, the word "regain sovereignty," as spoken by Deng Xiaoping himself, bear a hundredweight. They at least reflect the following points:

1. Although the Beijing authorities do not recognize the unequal treaties, they are obliged to squarely face the question of Hong Kong, a leftover historical question. Not only the people of Hong Kong brood about the time limit of 1997; the PRC leaders also take this to heart, or, at the very least, the date marks an end line.
2. According to the Chinese people's cardinal principles of righteousness, it is impossible to maintain the status quo in Hong Kong after 1997. That is to say, China must regain sovereignty, even though it might be only a symbolic action.
3. The current PRC leaders are pragmatists who know that maintaining Hong Kong's position as a free port is extremely advantageous to China. If they retrieve Hong Kong, giving sole consideration to the political situation, it means they will have to shoulder a heavy burden. They would not do such a stupid thing.
4. On the one hand, China wants to regain sovereignty, and on the other hand, it wants to maintain stability and prosperity in Hong Kong. This is what we say: "I want both a fish and a bear's paw, but I can't get both of them." Now, Deng Xiaoping is trying to find a way to "get both." The meeting with these leftwing representatives was organized in accordance with the principle of "three nonentities make one mastermind" with the hope that the best method will be devised. It also shows the work style of taking the people's advice.

#### The 12 Representatives From Various Leftist Sectors

The 12 representatives invited to attend this meeting were from various leftist sectors in Hong Kong and Macao. They were Fei I-min, director of the Hong Kong TA KUNG PAO, member of the NPC Standing Committee, member of the CPPCC Standing Committee and leader of the leftist party in Hong Kong; Wang Kuan-cheng and Tang Ping-ta, director and deputy director of the Chinese General Chamber of Commerce and representatives of the leftist party in the industrial and commercial sector; Li Tau-sung, director of the Hong Kong WEN WEI PO; Li Hsia-wen, deputy and chief editor of the Hong Kong TAKUNG PAO and representative of the leftist party in press circles; leftist worker leaders Yang Kuang, chairman of the Hong Kong Federation of Trade Unions, and Liang Pei, chairman of the Macao Trade Union; Chen Fu-li, photographer; Wu Kang-min, principal of Pei Chiao Middle School and a leftist party representative in cultural and educational circles; Hsu Szu-min, a former Overseas Chinese leader in Burma who now represents the Fujianese in Hong Kong and Macao; Chen Hung, assistant general manager of the Bank of China, who is in charge of the PRC's financial accounts in Hong Kong; and Su Wu-ku, Fei I-min's wife and leftist party representative in women's circles.

We can see from this list that all of them are the PRC's people and they are from various social sectors, including the industrial and commercial sector and the cultural and educational circles. Comparing this meeting to the recent visits to Beijing by such Hong Kong and Macao public figures as Sir Yu-Kang pao, Li Ming-tse, Huo Ying-tung, Gordon Wu, Feng Ching-hsi, Yu Te-keng, Li Chia-cheng, An Tzu-chieh, Tang Hsiang-chien and so on, there are similar and different points. The similar point is that politically speaking, all of them recognize China, although their degree of recognition differs; the different point is that the public figures of the industrial and commercial sector acted on their own initiative in visiting China in order to understand the question of 1997. On the one hand, they wanted to ascertain the PRC leaders' opinion on the question of 1997, and on the other hand, they wanted to appropriately request the PRC to deal with the question of the future of Hong Kong as soon as possible. It is said that they were running an errand for the British Government. However, Fei I-min and the 11 other representatives were invited by Deng Xiaoping to visit China mainly because Deng wanted their opinions and hoped to devise the best method to solve the question of the future of Hong Kong.

However, we must not neglect the presence of Chi Feng at the meeting because he is extremely familiar with Hong Kong's situation.

#### Deng Xiaoping Listens Very Attentively

The meeting was held in a very harmonious atmosphere. Deng Xiaoping was listening very attentively. He immediately asked questions when things were not clear to him because his right ear was not very good, and sometimes suggested that the speakers speak directly in front of the microphone. He sometimes interjected a few words, trying to put the participants at ease.

Wang Kuan-cheng was the first to speak, followed by Li Tzu-sung and Yang Kuang. It is said that 11 of the 12 representatives gave speeches. Fei I-min was the last speaker, and he spoke in a very solemn manner, saying only that "the hearts of the Chinese compatriots in Hong Kong and Macao warm to the motherland." All of us know that Fei is very talkative, so why did he suddenly become so cautious in his words? It is said that Fei was invited during the meeting to sit next to Deng Xiaoping and was in the position of the second host, and that is why he gave the guests more chances to talk. It is also said that Fei had already put forth his proposal regarding the question of 1997, and so it was unnecessary for him to speak loudly once again in front of the others.

Most of the speakers spoke of their understanding of the situation and only a few touched upon specific policies. They nearly unanimously praised the adoption of the open-door policy and stressed the importance of the special economic zones in the development of the whole national economy and their direct influence on the question of 1997. All of them unanimously held that so long as the special zones are run well and various capitalists strive to invest in the special zones, there will be no problem in the future of Hong Kong. By that time, Hong Kong's foreign capital and Overseas Chinese capital will have been invested in opening up the motherland's resources and will have carried out construction. Thus there will be a promising situation, and the question of 1997 will be readily solved.

#### How Special Are the Special Zones and the Particularly Special Zones?

It seems that many of the proposals were formed around the special economic zones. Some of them proposed to turn Hong Kong into a particularly special zone, but how special should it be? At the least, the existing special zones should be run well.

The current problem is whether Hong Kong can wait until the special zones are run well. This is because it is generally admitted that an enormous amount of capital has flowed out of Hong Kong. If the Chinese and British Governments constantly delay their proposals on solving the question of the future of Hong Kong it is very likely that Hong Kong's economy will collapse before the special zones's economy has been improved. This will not only be a misfortune to the people of Hong Kong, but will also be a misfortune to China -- although this point was not discussed during the meeting held in the Great Hall of the People, according to personalities who have close contacts with the Beijing authorities, this question has already been discussed outside the Great Hall of the People.

Deng Xiaoping has encouraged the Hong Kong capitalists to boldly and fearlessly put forth proposals that they think might work and has guaranteed that there will be "three no's" -- that is, no seizing on someone's mistake, no sticking of labels and no bludgeoning. He encouraged them to speak about what they knew in detail. He meant that even if someone proposed that mainland China should not retrieve Hong Kong in 1997, he would not be accused of ignoring the "cardinal principles of righteousness." Li Ming-tse's proposal was put forth under such circumstances.

According to Li Ming-tse's proposal, Hong Kong can be turned into an "independent special zone" where the five-star flag will be hoisted, and under a coalition government of China and Britain. The present Hong Kong government can be replaced by a governing committee, and Chinese and British officials can alternate as the director. Apparently, this is a tentative plan of being the dealer in turns. Since Li Ming-tse is on particularly good terms with Fei I-min, some people suspected that this proposal must first have gained the understanding of the Beijing authorities. However, those who understand Fei well doubt this. From a political point of view, Fei, who has 52 years of experience in journalism, is in any case superior to Li in strategem. If he is going to second Li's proposal, it is better for him to put forth a proposal of his own.

#### The PRC Sets Up a Special Work Team To Study the Proposals

According to information from Beijing, the PRC has already set up a special work team to study and find solutions to the question of 1997, and this work team is now working on data collection and filing. In this work team are people who have been working for more than 32 years in Hong Kong and who have an excellent understanding of Hong Kong. They will reflect upon the stages of development in Hong Kong and extensively gather opinions from various areas in order to devise an appropriate policy. Regarding the visit of Mrs Thatcher, this work team will also play the role of adviser.

The PRC leaders now fully understood the Hong Kong people's concern about the future of Hong Kong. The PRC leaders have altered their past practice of avoiding discussion on this issue and are now willing to humbly listen to the opinions of Hong Kong people. Deng Xiaoping has also shown the following attitude: The CCP has always followed the mass line; why can it not now follow the mass line in solving the question of 1997? It is said that attention has been paid to the article "Hong Kong, 1997" published in the PAI HSING bi-weekly publication and "The Future of Hong Kong -- Data Collected and Edited by Hong Kong Chien Ching Research Institute," published by the Hong Kong Chien Ching Research Institute. There have been complaints on the establishment of the Hong Kong Chien Ching Research Institute, but now it is affirmed.

Since Deng Xiaoping expressed his views in public on his faith in the future of Hong Kong at the meeting on 15 June, there will definitely be more and more proposals flying around Zhongnanhai on solving the future of Hong Kong. The name of Fei I-min was found again on the passenger list of the CAAC flight from Hong Kong to Beijing on 26 June. For what reason was he going to Beijing again, after staying for less than 10 days in Hong Kong, just after the Dragon Boat Festival, travel-worn and weary? Looking at how Deng and Fei smiled at each other in the Great Hall of the People, can we extravagantly hope that the "happy question" of 1997 will be solved in 2 years time?

We can rest assured that it would be too childish to think that the visit of Mrs Thatcher to Beijing in September will bring prospects for a solution to the problem of the future of Hong Kong. The people of Hong Kong are very happy to hear that the problem of 1997 has been put on the agenda of Zhongnanhai.

WEN WEI PO NOTES COOPERATION AMONG MINISTRIES

HK120416 Hong Kong WEN WEI PO in Chinese 12 Jul 82 p 3

[Report from Beijing: "Ministry of Machine Building and Six Ministries Agree To Organize Joint Council To Strengthen Cooperation"]

[Text] To properly solve the problem of coordination and cooperation between departments, the leadership of the Ministry of Machine Building and the leadership of the Ministries of Water Conservation and Power, Textile Industry, Light Industry, Metallurgical Industry, Chemical Industry and Coal Industry have established a joint council system at the ministerial and bureau levels. State Councillor Bo Yibo praised this as "a new thing" after the reform of the administrative structure. He considered it "a natural result of internal relations existing among various sectors of the economy and also a manifestation of the superiority of the socialist system." He hoped to "uphold this work method of close cooperation and mutual support, so that it can be systematized and introduced among other departments."

After the reform of the administrative structure, the newly formed party organization of the Ministry of Machine Building specially stressed doing a good job of serving consumers and improving socioeconomic results as a guiding idea in the proper operation of the Ministry of Machine Building. Since late May, Minister Zhou Jiannan and other responsible persons have respectively visited the above six ministries.

During talks, the leadership of the Ministry of Machine Building and the leadership of the six ministries reached an agreement in principle on some major issues. The Ministry of Textile Industry and the Ministry of Machine Building agreed that the production of relevant textile machinery be placed under the control of the Ministry of Textile Industry. Concerning textile machinery for which production must be assigned to the Ministry of Machine Building, the Ministry of Textile Industry will submit proper lists. Thus, production can be organized by the Ministry of Machine Building on a fixed basis and can be included in the plans of the two ministries. Also, it was agreed between the Ministry of Metallurgical Industry and the Ministry of Machine Building that in importing required equipment from abroad in the future, the Ministry of Metallurgical Industry must do everything it can to combine this with the introduction of manufacturing technology, or with joint production ventures with foreign businessmen, in order to help strengthen domestic manufacturing capability. In introducing technology, the two ministries must take the initiative to consult with each other and take joint action, if necessary. The Ministry of Machine Building and the six ministries agreed that to further strengthen cooperation and hold consultations on matters, they must establish a system of regular contact. In handling concrete problems, the departments of bureaus of both sides in the relevant fields must maintain direct links on a regular basis. Those problems that cannot be solved at the bureau level must be referred to the leadership at the ministerial level of both sides for discussion and settlement.

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